

Lennox Industries

**Directors' report and financial
statements**

Registered number 671868

31 December 2007

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Contents

Directors' report	1
Statement of directors' responsibilities	3
Independent auditors' report to the members of Lennox Industries	4
Profit and loss account	6
Balance sheet	7
Statement of total recognised gains and losses	8
Notes	9

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007.

Parent company

Lennox Industries is a subsidiary of HCF-Lennox Limited, a company registered in England and Wales.

The results of Lennox Industries are consolidated within the results of LGL Netherlands BV. The ultimate group of which Lennox Industries is a member and for which group financial statements are prepared is headed by Lennox International Inc., the ultimate parent undertaking, a company registered in Iowa, USA.

Principal activity and business review

The principal activities of the Company continue to be the manufacture and sale of commercial heating and air conditioning equipment, service, spares and maintenance.

Business review

The results for the year ended 31 December 2007 show a profit for the year of £3,134,126. This compares to a loss for the previous year of £760,899. The result for the year has been positively impacted by the write-off of the inter-company loan with LGL Holland BV as at 31 December 2007. The impact of this write-off on the profit and loss account amounted to £4,078,799.

Turnover for the year ended 31 December 2007 is £8,901,976, compared to £6,884,773 in the previous year, an increase of 29.30%. This is due to an increase in sales of Rooftop products which are internally sourced from the Lennox European group and also by increases in sales of Air Handling Units and Close Control Units which are externally sourced from European companies outside the Lennox group.

Gross profit as a percentage of sales is 16% in 2007, compared to 14% in 2006. Margins are similar across most product ranges during the year, with improved margins being achieved on Spare parts. Margins have also been positively impacted in 2007 due to lower warranty and freight costs.

The balance sheet shows that the company's financial position at the year-end has improved as a write-off of the inter-company loan.

Future prospects

For 2008 there will be continued emphasis on reducing the level of local costs. There will be further development of new energy efficient product ranges during 2008.

Principal risks and uncertainties

The company operates in a competitive market place where continuing growth is dependent on maintaining existing customer relationships and by developing new income streams through offering new product ranges and by winning new customers. The company is confident that it can achieve these objectives by providing sector leading product and service quality to its customers at competitive prices.

The company is also subject to currency risk in that the majority of its products are sourced in Euros from Europe. This means that if there are significant variations in the £ exchange rate against the Euro this can have a significant impact on product costs.

Due to the nature of the Company's assets and liabilities contained within the balance sheet the main financial risk that the directors consider relevant is credit risk. This risk is mitigated by rigorous credit control policies to minimise the risk of customer debt default.

Dividend

No dividend is proposed for either the ordinary or preference shares for the year (2006: *£nil*)

Directors

The directors who held office during the year were as follows:

BD Houghton (resigned 30 September 2008)

WF Stoll (resigned 30 September 2008)

DMA Birtles

HJ Bizios

Political and charitable contributions

The Company made no disclosable political or charitable donations or incurred any disclosable political expenditure during the year (2006: *£nil*).

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



DMA Birtles
Director

19 December 2008

Cornwell Business Park
Salthouse Road
Brackmills
Northampton
NN4 7EX

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



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Milton Keynes
MK9 1NE
United Kingdom

Independent auditors' report to the members of Lennox Industries

We have audited the financial statements of Lennox Industries for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Lennox Industries
(continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

K P M G W.

Chartered Accountants
Registered Auditor

23 December, 2008.

Profit and loss account
for the year ended 31 December 2007

	<i>Note</i>	2007 £	2006 Restated (see note 3) £
Turnover	2	8,901,976	6,884,773
Cost of sales		(7,479,145)	(5,901,864)
		<hr/>	<hr/>
Gross profit		1,422,831	982,909
Administration expenses		(1,899,907)	(1,333,834)
Exceptional income	3	4,078,799	-
		<hr/>	<hr/>
Operating profit/(loss)		3,601,723	(350,925)
Interest payable and similar charges	6	(467,597)	(409,974)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	3	3,134,126	(760,899)
Taxation on ordinary activities	7	-	-
		<hr/>	<hr/>
Profit/(loss) for the year	16	3,134,126	(760,899)
		<hr/> <hr/>	<hr/> <hr/>


All of the company's activities derived from continuing operations.

There are no recognised gains or losses in either year other than the profit or loss for that year.

Balance sheet
at 31 December 2007

	Note	2007 £	2006 £
Fixed assets			
Tangible assets	8	33,962	52,473
Investments	9	32,765	32,765
		<u>66,727</u>	<u>85,238</u>
Current assets			
Stocks	10	516,802	509,400
Debtors	11	2,074,338	1,396,899
Cash at bank and in hand		326,066	406,321
		<u>2,917,206</u>	<u>2,312,620</u>
Creditors: amounts falling due within one year	12	(2,458,369)	(5,243,610)
Net current assets/(liabilities)		<u>458,837</u>	<u>(2,930,990)</u>
Total assets less current liabilities		<u>525,564</u>	<u>(2,845,752)</u>
Provisions for liabilities and charges	13	(116,886)	(152,696)
Net assets/(liabilities) excluding pension liabilities		<u>408,678</u>	<u>(2,998,448)</u>
Pension liabilities	18	(2,474,000)	(2,905,000)
Net liabilities		<u>(2,065,322)</u>	<u>(5,903,448)</u>
Capital and reserves			
Called up share capital	15	314,040	314,040
Capital contribution account	16	5,898,734	5,898,734
Share premium account	16	2,520,760	2,520,760
Profit and loss account	16	(10,798,856)	(14,636,982)
Total shareholders' deficit	17	<u>(2,065,322)</u>	<u>(5,903,448)</u>

These financial statements were approved by the board of directors on 19 December 2007 and were signed on its behalf by:


DMA Birtles
Director

Statement of total recognised gains and losses
for the year ended 31 December 2007

	2007 £	2006 £
Profit / (Loss) for the financial year	3,134,126	(760,899)
Movement on actuarial deficit in the pension scheme	704,000	46,000
Total gains relating to the financial year	<u>3,838,126</u>	<u>(714,899)</u>
Total recognised gains and losses since the last annual report	<u>3,838,126</u>	<u>(714,899)</u>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by s228 of the Companies Act 1985 because it is a wholly owned subsidiary of HCF-Lennox Limited which in turn is a wholly owned subsidiary of LGL Netherlands BV, incorporated in the Netherlands, which prepares consolidated financial statements which are publicly available. The company is also, on this basis, exempt from the requirement of FRS 1 to present a cash flow statement.

Going concern

These financial statements have been prepared on a going concern basis as LGL Netherlands BV has agreed to continue to support the company to ensure the company meets its liabilities as and when they fall due, for a period of 12 months from the date of signing these financial statements.

Tangible fixed assets

Tangible fixed assets are shown at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life as follows:

Improvements to long leasehold property	- shorter of length of lease and useful economic life
Plant and machinery	- 5-10 years
Motor vehicles	- 4 years

Residual value is calculated on prices prevailing at the date of acquisition.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition is based on:

Finished goods	- standard cost of direct materials and labour, plus a reasonable proportion of manufacturing overheads based on normal levels of activity.
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Net realisable value is based on normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes (continued)

1 Accounting policies (continued)

Pension costs

The company operates pension schemes providing benefits based on final pensionable pay.

The two schemes operating are the Lennox Industries Staff Retirement Benefits Scheme for staff employees and the Lennox Industries Retirement Benefits Scheme for hourly paid employees. The assets of the schemes are held separately from those of the company, being invested with insurance companies. The amount charged to the profit and loss account is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining working life of scheme members.

Any difference between amounts charged to the profit and loss account and contributions paid to independent pension schemes is shown as a separately identified liability or asset in the balance sheet.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All exchange differences are included in the profit and loss account.

Turnover

Turnover comprises the amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes. This is recognised when goods are despatched or as services are provided.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Investments

Fixed asset investments are shown at cost less provisions for impairment.

2 Turnover

All turnover was derived from the company's principal activity.

The analysis of turnover by geographical destination is as follows:

	2007 £	2006 £
United Kingdom	8,538,231	6,769,605
Rest of Europe	363,745	115,168
	<hr/> 8,901,976	<hr/> 6,884,773

Notes (continued)

3 Profit on ordinary activities before taxation

	2007 £	2006 £
<i>Profit on ordinary activities before taxation is stated after charging / (crediting):</i>		
Depreciation on owned tangible fixed assets	36,679	31,004
Hire of plant and machinery under operating leases	72,059	58,064
Other operating lease rentals	36,685	67,623
Other exchange losses/(gains)	506,068	(57,437)
Exceptional income (See below)	(4,078,799)	-
<i>Auditors' remuneration:</i>		
Audit of these financial statements	4,750	5,000
Other services relating to taxation	6,850	5,000
	<u> </u>	<u> </u>

The presentation of the profit and loss account reflects the current operational activity of the business. The prior year profit and loss account has been restated by reclassifying intercompany sales and freight on trade sales of £103,321 which were previously netted off against 'cost of sales'. Additionally, sales commissions, warranty costs and administration cost recharges amounting to £992,136 which were previously included in administration cost have been reclassified to 'cost of sales'. The Directors consider these reclassifications to be an appropriate representation on the current operational activity of the business.

The exceptional income of £4,078,799 in the profit and loss account represents an intercompany loan written off during the year.

4 Remuneration of directors

Directors' remuneration was as follows:

	2007 £	2006 £
Emoluments	243,029	167,728
Company contributions to money purchase pension schemes	7,447	15,801
	<u>250,476</u>	<u>183,529</u>

The aggregate emoluments of the highest paid director was £160,023 (2006: £97,975) and company pension contributions of £7,447 (2006: £6,344) were made on his behalf. All costs attributable to this director are fully recharged to HVAC Europe.

One director (2006: one) was a member of the company pension scheme during the year.

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2007	2006
Sales and distribution	23	24
Administration	7	5
	<u>30</u>	<u>29</u>

The aggregate payroll costs of these persons were as follows:

	2007	2006
	£	£
Wages and salaries	1,326,318	1,269,089
Social security costs	120,357	115,931
Other pension costs	377,854	355,801
	<u>1,824,529</u>	<u>1,740,821</u>

'Other pension costs' comprises of amounts payable to defined contribution schemes amounting to £12,854 (2006 £15,801), service costs in respect of the defined benefit scheme amounting to £98,000 (2006 £106,000) and net finance costs (see note 6) in respect of the defined benefit scheme of £267,000 (2006 £234,000).

6 Interest payable and similar charges

	2007	2006
	£	£
Other interest payable	(17,225)	17,365
Loans from group undertakings	217,822	158,609
Finance costs of pension deficit	267,000	234,000
	<u>467,597</u>	<u>409,974</u>

Notes (continued)

7 Taxation on ordinary activities

Analysis of charge in period

	2007 £	2006 £
Current tax on income for the period	-	-
<i>Deferred tax</i>		
Origination/(reversal) of timing differences in year	-	-
Origination/ (reversal) of timing differences in prior year	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	-	-

Factors affecting the tax charge for the current period

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit / (loss) before tax is as follows:

	2007 £	2006 £
Profit/(loss) on ordinary activities before tax	3,134,126	(760,899)
Tax on profit/(loss) on ordinary activities at 30% (2006: 30%)	940,238	(228,270)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	3,449	65,340
Difference between capital allowances and depreciation	(33,559)	-
Other short term timing differences	(5,813)	69,430
Timing differences on pension deficit	81,900	(75,000)
Other movements	(5,135)	-
Utilised tax losses	(981,080)	-
Unutilised tax losses	-	168,500
Total current tax charge (see above)	-	-

Notes (continued)

8 Tangible fixed assets

	Improvements to long leasehold £	Plant and machinery £	Total £
<i>Cost</i>			
At beginning of year	104,557	259,010	363,567
Additions	-	18,168	18,168
	<hr/>	<hr/>	<hr/>
At end of year	104,557	277,178	381,735
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	62,793	248,301	311,094
Charge for year	20,892	15,787	36,679
	<hr/>	<hr/>	<hr/>
At end of year	83,685	264,088	347,773
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2007	20,872	13,090	33,962
	<hr/>	<hr/>	<hr/>
At 31 December 2006	41,764	10,709	52,473
	<hr/>	<hr/>	<hr/>

9 Fixed asset investments

	2007 £	2006 £
Investments at cost	32,765	32,765
	<hr/>	<hr/>

The company owns 100% of the ordinary share capital of Environheat Limited, a dormant company registered in England and Wales. The aggregate capital and reserves of Environheat Limited at 31 December 2007 were £32,765 (2006: £32,765).

10 Stocks

	2007 £	2006 £
Finished goods and goods for resale	516,802	509,400
	<hr/>	<hr/>
	516,802	509,400
	<hr/>	<hr/>

There is no material difference between the balance sheet value of stocks and their replacement cost.

Notes (continued)

11 Debtors

	2007 £	2006 £
Amounts falling due within one year:		
Trade debtors	1,668,640	1,109,208
Amounts owed by group undertakings	356,092	247,658
Other debtors	6,421	-
Prepayments and accrued income	43,185	40,033
	<u>2,074,338</u>	<u>1,396,899</u>

12 Creditors: amounts falling due within one year

	2007 £	2006 £
Trade creditors	81,067	157,091
Amounts owed to group undertakings	1,495,605	4,579,236
Taxation & social security	377,870	189,391
Other creditors	377,682	32,765
Accruals and deferred income	126,145	285,127
	<u>2,458,369</u>	<u>5,243,610</u>

13 Provisions for liabilities and charges

	Warranty provision £
At beginning of year	152,696
Released during the year	(35,810)
	<u>116,886</u>
At end of year	<u>116,886</u>

14 Deferred taxation

The elements of deferred taxation are as follows:

	Unprovided 2007 £	2006 £
Accelerated capital allowances	117,782	172,801
Other short term timing differences	43,406	52,320
Tax losses carried forward	5,175,300	6,526,044
	<u>5,336,488</u>	<u>6,751,165</u>

The directors have assessed the likelihood of the deferred tax balances reversing in the near future. In accordance with FRS19 they have not recognised a deferred tax asset which is unlikely to be able to be utilised in the near future.

Notes (continued)

15 Called up share capital

	2007 £	2006 £
<i>Authorised</i>		
15,000 ordinary shares of £1 each	15,000	15,000
470,000 redeemable non-cumulative preference shares of £1 each	470,000	470,000
	<u>485,000</u>	<u>485,000</u>
<i>Allotted, called up and fully paid</i>		
14,040 ordinary shares of £1 each	14,040	14,040
300,000 redeemable non-cumulative preference shares of £1 each	300,000	300,000
	<u>314,040</u>	<u>314,040</u>

Non-equity shareholders' funds relate to non-cumulative preference shares which are entitled to 6% of profits available for distribution. These shares may, at the company's option, be redeemed at par either wholly or in part at any time. They also carry the right to priority of capital on winding up, but no voting rights are attached.

16 Reserves

	Capital contribution account £	Share premium account £	Profit and loss account £	Total £
At beginning of year	5,898,734	2,520,760	(14,636,982)	(6,217,488)
Profit for the year	-	-	3,134,126	3,134,126
Other recognised gains in the year	-	-	704,000	704,000
	<u>5,898,734</u>	<u>2,520,760</u>	<u>(10,798,856)</u>	<u>(2,379,362)</u>

The capital contribution account arose from the conversion of certain loans and accrued interest payable to the ultimate parent company and is not considered by the directors to be distributable.

17 Reconciliation of movements in shareholders' deficit

	2007 £	2006 £
Opening shareholders' deficit	(5,903,448)	(5,188,549)
Profit / (Loss) for the financial year	3,134,126	(760,899)
Other recognised gains in the year	704,000	46,000
	<u>(2,065,322)</u>	<u>(5,903,448)</u>

Notes (continued)

18 Commitments

(a) Capital commitments

The company had no capital commitments at either year end.

(b) Pension commitments

The group operates two pension schemes in the UK – a Defined Contribution Scheme and a Defined Benefits Scheme. The contribution to the defined benefit scheme is determined by a qualified actuary.

Full actuarial valuations were carried out at 1 January 2007 and updated for FRS 17 purposes to 31 December 2007 by a qualified independent actuary.

Contributions made by the company to each of the scheme during the year were

	2007	2006
	£	£
Lennox Industries Defined Benefits Scheme	91,547	110,000
Lennox Industries Defined Contribution Scheme	12,854	15,801
	<u>104,401</u>	<u>125,801</u>

The major assumptions used by the actuary were (in nominal terms):

	2007	2006	2005
Rate of increase in salaries	4.40%	4.00%	4.00%
Rate of increase in pensions in payment	3.40%	3.00%	3.00%
Discount rate	5.70%	5.00%	4.75%
Inflation assumption	3.40%	3.00%	2.50%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

18 **Commitments (continued)**

(c) *Scheme assets*

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return expected at 31 December 2007	Value at 31 December 2007	Long term rate of return expected at 31 December 2006	Value at 31 December 2006	Long term rate of return expected at 31 December 2005	Value at 31 December 2005
Equities	6.50%	-	6.50%	-	6.50%	-
Bonds	4.50%	-	4.50%	-	4.50%	-
Other	5.00%	6,102,000	3.00%	6,121,000	3.00%	5,975,000
		<u>6,102,000</u>		<u>6,121,000</u>		<u>5,975,000</u>
Present value of scheme liabilities		<u>(8,576,000)</u>		<u>(9,026,000)</u>		<u>(8,696,000)</u>
Deficit in the scheme – Pension liability		<u>(2,474,000)</u>		<u>(2,905,000)</u>		<u>(2,721,000)</u>
Unprovided deferred tax asset		<u>692,720</u>		<u>871,500</u>		<u>816,000</u>

Movement in deficit during the year

	2007 £	2006 £	2005 £
Deficit in the Scheme at the beginning of the year	(2,905,000)	(2,721,000)	(2,416,000)
Current service cost	(98,000)	(106,000)	(146,000)
Contributions paid	92,000	110,000	669,000
Other finance cost	(267,000)	(234,000)	(250,000)
Actuarial gain / (loss)	704,000	46,000	(578,000)
Deficit in the Scheme at the end of the year	<u>(2,474,000)</u>	<u>(2,905,000)</u>	<u>(2,721,000)</u>

Notes (continued)

18 Commitments (continued)

(c) *Scheme assets*

Analysis of other pension costs charged in arriving at operating profit/loss

	2007 £	2006 £	2005 £
Current service cost	(98,000)	(106,000)	(146,000)

Analysis of amounts included in other finance income/costs

	2007 £	2006 £	2005 £
Expected return on pension scheme assets	183,000	179,000	158,000
Interest on pension scheme liabilities	(450,000)	(413,000)	(408,000)
Net return	(267,000)	(234,000)	(250,000)

Analysis of amount recognised in statement of total recognised gains and losses

	2007	2006	2005
Actual return less expected return on scheme assets	(130,000)	(40,000)	251,000
Experience gains and losses arising on scheme liabilities	-	-	17,000
Changes in assumptions underlying the present value of scheme liabilities	834,000	86,000	(846,000)
Actuarial loss recognised in statement of total recognised gains and losses	704,000	46,000	(578,000)

Notes (continued)

18 Commitments (continued)

History of experience gains and losses	2007	2006	2005	2004	2003
Difference between expected and actual return on scheme:					
amount (£)	(130,000)	(40,000)	251,000	(289,000)	(222,000)
percentage of scheme assets	(2%)	(1%)	4%	(6%)	(4%)
Experience gains and losses on scheme liabilities:					
amount (£)	-	-	17,000	94,000	1,042,000
percentage of scheme liabilities	0%	0%	0%	1%	15%
Total amount recognised in statement of total recognised gains and losses: amount (£)	704,000	46,000	(578,000)	(195,000)	(205,000)
percentage of scheme liabilities	8%	1%	(7%)	(3%)	(3%)

(d) Lease commitments

The minimal annual rentals under the foregoing leases are as follows:

	2007		2006	
	Land and buildings £	Other £	Land and Buildings £	Other £
Operating leases which expire:				
Within one year	-	8,498	2,740	6,262
In the second to fifth years inclusive	33,785	44,550	33,785	33,234
	<u>33,785</u>	<u>53,048</u>	<u>36,525</u>	<u>39,496</u>

(e) Other

A fixed and floating charge is held by the Natwest Bank over all the current and future assets of the company.

19 Contingent liabilities

There were no contingent liabilities at 31 December 2007 (2006: £nil).

20 Transactions with related parties

The company has taken advantage of the exemption in FRS 8 not to disclose related party transactions within the group as it is a wholly owned subsidiary of a company whose financial statements, in which the company is included, are available to the public. There were no other related party transactions.

Notes *(continued)*

21 Ultimate parent company and controlling party

Lennox Industries is a subsidiary of HCF-Lennox Limited, a company registered in England and Wales.

The results of Lennox Industries are consolidated within the results of LGL Netherlands BV. The financial statements of LGL Netherlands BV are available to the public from LGL Netherlands BV, Watergoorweg 87, PO Box 128, 3860 BA Nijkerk, The Netherlands.

The ultimate group of which Lennox Industries is a member and for which group financial statements are drawn up is that headed by Lennox International Inc., the ultimate parent undertaking, a company registered in Delaware, USA. The financial statements of Lennox International Inc. are available to the public from 2140 Lake Park Boulevard, Richardson, TX, 75080, USA.

Lennox International Inc. is a public company registered with the U.S. Securities and Exchange Commission and traded on the New York Stock Exchange. It is controlled by a diverse group of shareholders.

