

Lennox Industries

**Directors' report and financial
statements**

Registered number 671868

31 December 2009



Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	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 2009

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

The principal activity of the Company is that of a sales and marketing agency in the United Kingdom for commercial heating and air conditioning equipment, service, spares and maintenance

Business review

The directors see a loss for the year ended 31 December 2009, which shows as a negative result for the year of £525,949. This compares to a smaller loss from the previous year of £192,750. The result for the year has been negatively impacted by the restructuring cost per 31 December 2009 for the amount of £711,585. Comparison without restructuring the results for the year end 31 December 2009 would be a profit of £185,636.

During the year the company's trade was transferred to the Lennox Shared Service Centre based in the Netherlands

Future prospects

In 2010 all the office functions have been transferred across to the Lennox Shared Services Centre based in the Netherlands. The UK office in Northampton was closed since 31st March 2009 and we started with Home offices for sales and services employees in UK. The turnover of the company is based on commission earned for the sales of equipments and after sales servicing.

Principal risks and uncertainties

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 (2008 £nil)

Directors' report (continued)

Directors

The directors who held office during and subsequent to the year end were as follows

HJ Bizios
LGL Holland BV
D Birtles (resigned 31 March 2009)
Phillippe Kohler (resigned 24 February 2009)
JH Peeraer (appointed 1 September 2009)

Political and charitable contributions

The Company made no disclosable political or charitable donations or incurred any disclosable political expenditure during the year (2008: £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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



J H Peeraer
Director

Kings House
40 Billing Road
Northampton
Northants
NN1 5BA

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)

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 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 confirm that they have complied with the above requirements in preparing the financial statements

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 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



Altius House
One North Fourth Street
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 2009 set out on pages 6 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

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 director's remuneration specified by law are not made or
- we have not received all the information and explanations we require for our audit

B. J. Stapleton

B J Stapleton (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE

Date *11 April 2011*

Profit and loss account
for the year ended 31 December 2009

	<i>Note</i>	2009 £	2008 £
Turnover	2	1,943,568	8 564 932
Cost of sales		(792,144)	(7,163,734)
Gross profit		<u>1,151,424</u>	<u>1,401,198</u>
Administration expenses (including exceptional expenses of £711 585)	3	(1,462,401)	(2 107 714)
Exceptional other operating income	3	-	723 387
Operating (loss)/profit		<u>(310,977)</u>	<u>16 871</u>
Interest payable and similar charges	6	(214,972)	(209,621)
Loss on ordinary activities before taxation	3	<u>(525,949)</u>	<u>(192,750)</u>
Taxation on ordinary activities	7	-	-
Loss for the year	16	<u><u>(525,949)</u></u>	<u><u>(192 750)</u></u>

On 1 March 2009 the company transferred its trade to Lennox Benelux BV in the Netherlands, adopting a new operating model as set out in note 1. The turnover and operating loss for 2009 include £334,245 and £625,011 respectively which relate to discontinued operations. See note 2 for further details.

Balance sheet
at 31 December 2009

	<i>Note</i>	2009 £	2008 £
Fixed assets			
Tangible assets	8	-	13,363
Investments	9	32,765	32,765
		<u>32,765</u>	<u>46,128</u>
Current assets			
Debtors	10	425,381	1,945,552
Cash at bank and in hand		342,405	270,127
		<u>767,786</u>	<u>2,215,679</u>
Creditors: amounts falling due within one year	11	(1,400,872)	(1,854,582)
Net current (liabilities)/assets		<u>(633,086)</u>	<u>361,097</u>
Total assets less current liabilities		<u>(600,321)</u>	<u>407,225</u>
Provisions for liabilities and charges	12	(22,063)	(25,297)
Net (liabilities)/assets before pension liabilities		<u>(622,384)</u>	<u>381,928</u>
Pension liabilities	17	(3,711,637)	(3,107,000)
Net liabilities		<u>(4,334,021)</u>	<u>(2,725,072)</u>
Capital and reserves			
Called up share capital	14	314,040	314,040
Capital contribution account	15	5,898,734	5,898,734
Share premium account	15	2,520,760	2,520,760
Profit and loss account	15	(13,067,555)	(11,458,606)
Total shareholders' deficit	16	<u>(4,334,021)</u>	<u>(2,725,072)</u>

These financial statements were approved by the board of directors on 6 April 2011 and were signed on its behalf by


J. H. Peeraer
Director

Registered Number: 671868

Statement of total recognised gains and losses
for the year ended 31 December 2009

	2009 £	2008 £
Loss for the financial year	(525,949)	(192,750)
Movement on actuarial deficit in the pension scheme	(1,083,000)	(467,000)
Total losses relating to the financial year	(1,608,949)	(659,750)
Total recognised losses since the last annual report	(1,608,949)	(659,750)

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

The financial statements are prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards. The principal accounting policies which are consistently applied unless otherwise stated are set out below.

The company has taken advantage of the exemption from preparing group financial statements by virtue of s400 of the Companies Act 2006 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 group 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.

The financial statements present information about the company as an individual undertaking and not about its group.

Going concern

The accounts have been prepared on a going concern basis notwithstanding net liabilities of £4,334,021 at the year end and the company's reliance on Lennox Benelux BV's continued employment of the company in the sale of commercial heating and air conditioning equipment and servicing. In order to assess the going concern of the company, the directors have therefore considered the likelihood of the company remaining as a local sales office and are confident that this will continue for at least 12 months from the date of approving these financial statements. The directors have also received written confirmation from its immediate parent company, LGL Netherlands BV, that it will continue to any provide financial support required by the company to enable it to meet its financial obligations arising in the ordinary course of business for foreseeable future and for a period of not less than twelve months from the date of approval of 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

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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

Due to a change in the business model, turnover for the year represents commission earned on equipment sales generated by Lennox Industries on behalf of Lennox BV and other related income being the reimbursement by Lennox BV for its cost incurred. In 2008 turnover comprised the amounts receivable for goods and services which were recognised when goods were despatched or as services were 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 and analysis of continuing and discontinued operations

Turnover

All turnover was derived from the company's principal activity as set out in note 1.

The analysis of turnover by geographical destination is as follows:

	2009 £	2008 £
United Kingdom	334,245	8,252,508
Rest of Europe	1,609,323	312,424
	<u>1,943,568</u>	<u>8,564,932</u>

Notes (continued)

2 Turnover and operations (continued)

Analysis of continuing and discontinued operations

On 1 March 2009 the company transferred its trade to Lennox Benelux BV in the Netherlands, adopting a new operating model as set out in note 1. Accordingly, the 2009 results can be analysed as follows:

	Discontinued operations £	Continuing operations £	Total £
Turnover	334,245	1,609,323	1,943,568
Cost of sales	(352,450)	(439,694)	(792,144)
Gross (loss)/profit	(18,205)	1,169,629	1,151,424
Administration expenses	(125,136)	(625,680)	(750,816)
Administration expenses – exceptional items (see note 3)	(481,670)	(229,915)	(711,585)
Total administration expenses	(606,806)	(855,595)	(1,462,401)
Operating (loss)/profit	(625,011)	314,034	(310,977)

3 Loss on ordinary activities before taxation

	2009 £	2008 £
<i>Loss on ordinary activities before taxation is stated after charging / (crediting).</i>		
Depreciation on owned tangible fixed assets	13,363	20,599
Hire of plant and machinery under operating leases	15,944	54,916
Other operating lease rentals	29,253	33,785
Other exchange (gains)/losses	(65,117)	491,652
Exceptional other operating loss/(income) - see below	711,585	(723,387)
<i>Auditors' remuneration</i>		
Audit of these financial statements	20,102	24,170
Other services relating to taxation	6,650	6,650

The presentation of the profit and loss account reflects the current operational activity of the business. The exceptional other operating loss represents restructuring costs following restructuring of the company's trading activities in the UK. Restructuring costs incurred in 2009 are treated as allowable for tax purposes.

Prior year exceptional income

Exceptional operating income of £723,387 in 2008 represents an intercompany loan waived during the year. These were treated as non-taxable income for tax purposes.

Notes (continued)

4 Remuneration of directors

Directors' remuneration was as follows

	2009 £	2008 £
Emoluments	-	193,042
Company contributions to money purchase pension schemes	-	6,439
Compensation for loss of office	-	118,000
	<u>-</u>	<u>317,481</u>

The aggregate emoluments of the highest paid director was £nil (2008 £217,588) and company pension contributions of £nil (2008 £6,439) were made on his behalf. All costs attributable to this director are fully recharged to HVAC Europe.

None of the directors (2008 one) were a member of the company pension scheme during the year.

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	
	2009	2008
Sales and distribution	10	22
Administration	-	6
	<u>10</u>	<u>28</u>

The aggregate payroll costs of these persons were as follows

	2009 £	2008 £
Wages and salaries	952,147	1,290,890
Social security costs	43,714	120,058
Other pension costs (see below)	236,342	260,885
	<u>1,232,203</u>	<u>1,671,833</u>

Notes (continued)

5 Staff numbers and costs (continued)

Other pension costs' comprises of amounts payable to defined contribution schemes amounting to £13,342 (2008 £12,885), service costs in respect of the defined benefit scheme amounting to £22,000 (2008 £65,000) and net finance costs (see note 6) in respect of the defined benefit scheme of £201,000 (2008 £183,000)

6 Interest payable and similar charges

	2009 £	2008 £
Loans from group undertakings	13,972	26 621
Finance costs of pension deficit	201,000	183 000
	<u>214,972</u>	<u>209,621</u>

7 Taxation on ordinary activities

Analysis of charge in period

	2009 £	2008 £
<i>Current tax</i>		
Current tax on income for the period	-	-
	<u>-</u>	<u>-</u>
<i>Deferred tax</i>		
Origination/(reversal) of timing differences in year	-	-
	<u>-</u>	<u>-</u>
Total deferred tax	-	-
	<u>-</u>	<u>-</u>
Tax on ordinary activities	-	-
	<u>-</u>	<u>-</u>

Factors affecting the tax charge for the current period

The current tax credit for the period is lower (2008 lower) than the standard rate of corporation tax in the UK of 28%. The differences are explained below

	2009 £	2008 £
Loss on ordinary activities before tax	(525,949)	(192,750)
	<u>(525,949)</u>	<u>(192,750)</u>
Tax on (loss)/profit on ordinary activities at 28% (2008 28%)	(147,265)	(53,970)
<i>Effects of</i>		
Expenses not deductible for tax purposes	42,029	2 435
Difference between capital allowances and depreciation	2,653	5 768
Other short term timing differences	(38,093)	(19 994)
Timing differences on pension deficit	(46,602)	46,480
Impact of rate differences between deferred and current tax	3,758	-
Income not subject to taxation	-	(202,548)
Unutilised tax losses	183,520	221 829
	<u>183,520</u>	<u>221 829</u>
Total current tax charge (see above)	-	-
	<u>-</u>	<u>-</u>

Notes (continued)

8 Tangible fixed assets

	Improvements to long leasehold £	Plant and machinery £	Total £
<i>Cost</i>			
At beginning of year	104,557	277,178	381,735
Additions	-	-	-
	<u>104,557</u>	<u>277,178</u>	<u>381,735</u>
<i>At end of year</i>	<u>104,557</u>	<u>277,178</u>	<u>381,735</u>
<i>Depreciation</i>			
At beginning of year	99,315	269,057	368,372
Charge for year	5,242	8,121	13,363
	<u>104,557</u>	<u>277,178</u>	<u>381,735</u>
<i>At end of year</i>	<u>104,557</u>	<u>277,178</u>	<u>381,735</u>
<i>Net book value</i>			
At 31 December 2009	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2008	5,242	8,121	13,363
	<u>5,242</u>	<u>8,121</u>	<u>13,363</u>

9 Fixed asset investments

	2009 £	2008 £
Investments at cost	32,765	32,765
	<u>32,765</u>	<u>32,765</u>

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 2009 were £32,765 (2008 £32,765).

10 Debtors

	2009 £	2008 £
Trade debtors	18,628	1,253,004
Amounts owed by group undertakings	401,128	550,686
Other debtors	3,572	82,223
Prepayments and accrued income	2,053	59,639
	<u>425,381</u>	<u>1,945,552</u>

Notes (continued)

11 Creditors' amounts falling due within one year

	2009 £	2008 £
Trade creditors	46,330	763,345
Amounts owed to group undertakings	1,265,764	562,751
Taxation and social security	991	294,719
Other creditors	13,955	132,763
Accruals and deferred income	73,832	101,004
	<u>1,400,872</u>	<u>1,854,582</u>

12 Provisions for liabilities and charges

	Warranty provision £
At beginning of year	25,297
Released during the year	(3,234)
At end of year	<u>22,063</u>

13 Deferred taxation

The elements of deferred taxation are as follows

	Unprovided 2009 £	2008 £
Accelerated capital allowances	-	120,217
Other short term timing differences	5,957	23,412
Tax losses carried forward	183,520	6,539,093
	<u>189,477</u>	<u>6,682,722</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)

14 Called up share capital

	2009 £	2008 £
<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-cumulative preference shares 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.

15 Reserves

	Capital contribution account £	Share premium account £	Profit and loss account £	Total £
At beginning of year	5,898,734	2,520,760	(11,458,606)	(3,039,112)
Loss for the year	-	-	(525,949)	(525,949)
Other recognised losses in the year	-	-	(1,083,000)	(1,083,000)
	<u>5,898,734</u>	<u>2,520,760</u>	<u>(13,067,555)</u>	<u>(4,648,061)</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.

16 Reconciliation of movements in shareholders' deficit

	2009 £	2008 £
Opening shareholders' deficit	(2,725,072)	(2,065,322)
Loss for the financial year	(525,949)	(192,750)
Other recognised losses in the year	(1,083,000)	(467,000)
	<u>(4,334,021)</u>	<u>(2,725,072)</u>

Notes (continued)

17 Commitments

(a) Capital commitments

The company had no capital commitments at either year end

(b) Pension commitments

The company 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 2009 and updated for FRS 17 purposes to 31 December 2009 by a qualified independent actuary.

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

	2009 £	2008 £
Lennox Industries Defined Benefits Scheme	701,000	82,365
Lennox Industries Defined Contribution Scheme	13,342	12,885
	<u>714,342</u>	<u>95,250</u>

(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 2009	Value at 31 December 2009 £	Long term rate of return expected at 31 December 2008	Value at 31 December 2008 £
Equities	7.0%		-	
Bonds	5.5%		-	
Other	4.0%	6,517,000	5.0%	6,145,000
		<u>6,517,000</u>		<u>6,145,000</u>
Present value of scheme liabilities		(10,229,000)		(9,252,000)
Deficit in the scheme – Pension liability		<u>(3,712,000)</u>		<u>(3,107,000)</u>
Unprovided deferred tax asset (at 28%)		<u>1,039,360</u>		<u>869,960</u>

Notes (continued)

17 Commitments (continued)

The major assumptions used by the actuary were

	2009	2008
Discount rate	5.6%	5.7%
Expected rate of return on plan assets	4.0%	5.0%
Rate of increase in salaries	4.5%	4.0%
Rate of increase in pensions in payment	3.5%	3.0%
Inflation assumption	3.5%	3.0%

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

Movements in present value of defined benefit obligation

	2009 £	2008 £
At 1 January	9,252,000	8,576,000
Current service cost	22,000	65,000
Interest cost	515,000	486,000
Actuarial losses/(gains)	887,000	294,000
Contributions by members	8,000	32,000
Benefits paid	(455,000)	(201,000)
	<hr/>	<hr/>
At 31 December	10,229,000	9,252,000
	<hr/>	<hr/>

Movements in fair value of plan assets

	2009 £	2008 £
At 1 January	6,145,000	6,102,000
Interest cost	314,000	303,000
Actuarial losses on plan assets	(196,000)	(173,000)
Employer contributions	701,000	82,000
Contributions by members	8,000	32,000
Benefits paid	(455,000)	(201,000)
	<hr/>	<hr/>
At 31 December	6,517,000	6,145,000
	<hr/>	<hr/>

Notes *(continued)*

17 **Commitments** *(continued)*

Analysis of amounts included in administrative expenses

	2009 £	2008 £
Current service cost	(22,000)	(65 000)

Analysis of amounts included in other finance income/costs

	2009 £	2008 £
Expected return on pension scheme assets	314,000	303 000
Interest on pension scheme liabilities	(515,000)	(486 000)
Net return	(201,000)	(183 000)

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

	2009 £	2008 £
Actual return less expected return on scheme assets	(196,000)	(173 000)
Changes in assumptions underlying the present value of scheme liabilities	(887,000)	(294 000)
Actuarial loss recognised in statement of total recognised gains and losses	(1,083,000)	(467,000)

Notes (continued)

17 Commitments (continued)

History of plans

The history of the plans for the current and prior periods is as follows

Balance sheet

	2009 £	2008 £	2007 £	2006 £	2005 £
Defined benefit obligation	10,229,000	9,252,000	6,576,000	9,026,000	8,696,000
Fair value of plan assets	6,517,000	6,145 000	6 102 000	6 121 000	5,975,000
Deficit	3,712,000	3 107 000	2 474,000	2,905 000	2 721 000

History of experience gains and losses

	2009 £	2008 £	2007 £	2006 £	2005 £
Difference between expected and actual return on plan assets					
- amount (£)	(196,000)	(173,000)	(130,000)	(40 000)	251,000
- percentage of scheme assets	(3%)	(3%)	(2%)	(1%)	4%
Experience gains and losses on scheme liabilities					
- amount (£)	-	794,000	-	-	17,000
- percentage of scheme liabilities	-	9%	0%	0%	0%

The Company expects to contribute approximately £685,000 to its defined benefit plans in the next financial year

(d) Lease commitments

The minimal annual rentals under non-cancellable operating leases are as follows

	2009 Land and Buildings £	2008 Land and Buildings £	2009 Other £	2008 Other £
Operating leases which expire				
Within one year	-	25,339	18,429	6,124
In the second to fifth years inclusive	-	-	12,783	60,057
	-	25 339	31,212	66 181

(e) Other

A fixed and floating charge is held by the Natwest Bank over all the current and future assets of the company. This has been satisfied in full post year end.

Notes *(continued)*

18 Contingent liabilities

There were no contingent liabilities at 31 December 2009 (2008 £nil)

19 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.

20 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 US Securities and Exchange Commission and traded on the New York Stock Exchange. It is controlled by a diverse group of shareholders.