

Lennox Industries

**Directors' report and financial
statements**

Registered number 671868

31 December 2015

FRIDAY



A5GL9N6M

A59

30/09/2016

#212

COMPANIES HOUSE

Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	2
Independent auditor's report to the members of Lennox Industries	3
Profit and loss account	5
Other Comprehensive Income	6
Balance sheet	7
Statement of Changes in Equity	8
Notes	9

Directors' report

The directors present their report and audited financial statements for the year ended 31 December 2015.

Principal activities

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 Company recorded a profit before taxation for the year ended 31 December 2015 of £278,727 (2014: profit of £400,424). These are the first set of financial statements prepared under FRS 102. This change in accounting standards has resulted in some adjustments to the profits reported in the year ended 31 December 2014. These adjustments are explained in note 21.

There were 3 legal claims during the year from former employees regarding hearing loss and asbestos. During the year legal costs relating to the claims amounted to £37,533.

Dividend

No dividend is proposed for either the ordinary or preference shares for the year (2014: £nil).

Directors

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

D Dibbitts

H L A Martino

R A Pelini

Political and charitable contributions

The Company made no disclosable political or charitable donations or incurred any disclosable political expenditure during the year (2014: £nil).

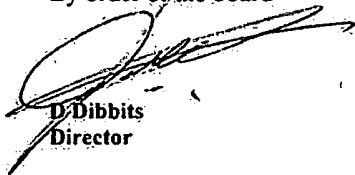
Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

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

By order of the board



D Dibbitts
Director

29 September 2016

Hope Park Business Centre Phase 2
Hope Park
Bradford – West Yorkshire
BD5 8HH

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), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 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 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 auditor's report to the members of Lennox Industries

We have audited the financial statements of Lennox Industries for the year ended 31 December 2015 set out on pages 5 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), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2015 and of its profit 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 auditor's 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



Charlotte Anderson (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: 29 September 2016

Profit and loss account
for the year ended 31 December 2015

	Note	2015 £	2014 £
Turnover	2	880,798	763,198
Cost of sales		<u> </u>	<u> </u>
Gross profit		880,798	763,198
Administrative expenses		(527,012)	(295,943)
Operating profit		<u>353,786</u>	<u>467,255</u>
Interest receivable and other income		<u> </u>	<u> </u>
Interest payable and similar charges	6	(75,059)	(66,831)
Profit on ordinary activities before taxation	3	<u>278,727</u>	<u>400,424</u>
Tax on profit on ordinary activities	7	<u> </u>	<u> </u>
Profit for the financial year	14	<u><u>278,727</u></u>	<u><u>400,424</u></u>

All results arise from continuing operations.

The notes on pages 9 to 21 form part of these financial statements.

Other Comprehensive Income
for the year ended 31 December 2015

<i>Note</i>	2015	2014
	£	£
Profit for the financial year	278,727	400,424
Other comprehensive income		
Remeasurement of the net defined benefit pension (liability) (note 17)	193,000	(1,493,000)
Income tax on other comprehensive income	-	-
Other comprehensive income for the year, net of income tax	193,000	(1,493,000)
Total comprehensive income for the year	471,727	(1,092,576)

All results arise from continuing operations.

The notes on pages 9 to 21 form part of these financial statements.

Balance sheet
at 31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Tangible assets	8	2,788	-
Investments		-	-
		<u>2,788</u>	<u>-</u>
Current assets			
Debtors	9	27,888	39,458
Cash at bank and in hand		22,386	1,955
		<u>50,274</u>	<u>41,413</u>
Creditors: amounts falling due within one year	10	(152,578)	(115,817)
Net current (liabilities)/ assets		<u>(102,304)</u>	<u>(74,404)</u>
Total assets less current liabilities		<u>(99,516)</u>	<u>(74,404)</u>
Creditors: amounts falling due after more than one year	11	(430,977)	(4,956,346)
Net liabilities excluding pension liabilities		<u>(530,493)</u>	<u>(5,030,750)</u>
Pension liabilities	17	(1,517,000)	(2,279,000)
Net liabilities including pension liabilities		<u>(2,047,493)</u>	<u>(7,309,750)</u>
Capital and reserves			
Called up share capital	13	314,040	314,040
Capital contribution account	14	10,689,264	5,898,734
Share premium account	14	2,520,760	2,520,760
Profit and loss account	14	(15,571,557)	(16,043,284)
Shareholders' deficit	15	<u>(2,047,493)</u>	<u>(7,309,750)</u>

These financial statements were approved by the board of directors on 29.09.2016 and were signed on its behalf by:


D. Dibbitts
Director

Company registered number: 671868

The notes on pages 9 to 21 form part of these financial statements.

Statement of Changes in Equity

	Called up share capital £	Capital redemption reserve £	Share premium account £	Profit and loss account £	Total equity £
Balance at 1 January 2014	314,040	5,898,734	2,520,760	(14,950,708)	(6,217,174)
Total comprehensive income for the period					
Profit				400,424	400,424
Other comprehensive income				(1,493,000)	(1,493,000)
Total comprehensive income for the period				(1,092,576)	(1,092,576)
Total contributions by and distributions to owners					
Balance at 31 December 2014	314,040	5,898,734	2,520,760	(16,043,284)	(7,309,750)

	Called up share capital £	Capital redemption reserve £	Share premium account £	Profit and loss account £	Total equity £
Balance at 1 January 2015	314,040	5,898,734	2,520,760	(16,043,284)	(7,309,750)
Total comprehensive income for the period					
Profit or loss				278,727	278,727
Other comprehensive income				193,000	193,000
Total comprehensive income for the period				471,727	471,727
Transactions with owners, recorded directly in equity					
Capital contribution from Parent Company		4,790,530			4,790,530
Total contributions by and distributions to owners		4,790,530			4,790,530
Balance at 31 December 2015	314,040	10,689,264	2,520,760	(15,571,557)	(2,047,493)

Notes on pages 9 to 21 form part of these financial accounts.

Notes

(forming part of the financial statements)

1 Accounting policies

Lennox Industries (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling.

An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 21.

The Company's ultimate parent undertaking, Lennox International Inc. includes the Company in its consolidated financial statements. The consolidated financial statements of Lennox Industries Inc. are available to the public and may be obtained from the address given in note 20. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Lennox Industries Inc. include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered likely to occur based on available information at the time.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions may differ from those estimates. The estimates and assumptions that will have the most significant effect on carrying amounts of assets and liabilities recognised in the financial statements are disclosed below:

Pensions – in calculating our Defined benefit pension liability, management makes assumptions about inflation rates, discount rates and mortality rates. The major assumptions are disclosed in note 17. Due to the complexity of the valuation and the long term nature of the defined benefit plan, these estimates are subject to uncertainty.

Notes (continued)

1 Accounting policies (continued)

Going concern

The accounts have been prepared on a going concern basis notwithstanding net liabilities of £2,047,493 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. Last year the intercompany loan has been formalised as being due in 2019 (note 11). Part of it was written off in the year (note 11). The directors have also received written confirmation from its ultimate parent company, Lennox International Inc., that it will continue to provide any 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
Equipment	- 5-10 years

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

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 102.

Post-retirement benefits

The Company operates a defined contribution pension scheme and a defined benefit pension schemes.

The assets of the defined contribution pension scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The assets of the defined benefit pension scheme are held separately from those of the Company. Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Notes (continued)

1 Accounting policies (continued)

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Turnover

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 costs incurred.

Leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred.

2 Turnover

All turnover was derived from the Company's principal activity as set out in note 1. Turnover recognised in the year has been presented net of the reimbursement of external sales agents' commission.

3 Profit on ordinary activities before taxation

	2015	2014
	£	£
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Other exchange losses	286	487
<i>Auditor's remuneration:</i>		
Audit of these financial statements	21,000	19,000
Other services relating to taxation	7,135	7,135
	<u> </u>	<u> </u>

4 Remuneration of directors

All directors are remunerated by other group companies.

There are no retirement benefits accruing for any of the directors under money purchase or defined benefit schemes.

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	
	2015	2014
Sales and distribution	7	7
	<u> </u>	<u> </u>
	7	7
	<u> </u>	<u> </u>

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2015 £	2014 £
Wages and salaries	355,700	336,966
Social security costs	38,010	35,853
Other pension costs (see below)	29,814	30,939
	<u>423,524</u>	<u>403,758</u>

'Other pension costs' comprise of amounts payable to defined contribution scheme amounting to £18,814 (2014: £20,939) and service costs in respect of the defined benefit schemes amounting to £11,000 (2014: £10,000).

6 Interest payable and similar charges

	2015 £	2014 £
On loans from group undertakings	1,059	13,831
Net finance costs on pension deficit (See note 17)	74,000	53,000
	<u>75,059</u>	<u>66,831</u>

Notes (continued)

7 Taxation on ordinary activities

Analysis of charge in period

	2015 £	2014 £
<i>Current tax</i>		
Current tax on income for the period		
<i>Deferred tax</i>		
Origination/(reversal) of timing differences in year		
Total deferred tax		
Tax on ordinary activities		

Factors affecting the tax charge for the current period

The current tax recorded for the period is lower (2014: lower) than the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%). The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before tax	278,727	400,424
Tax on profit on ordinary activities at 20.25% (2014: 21.49%)	56,442	86,051
<i>Effects of:</i>		
Expenses not deductible for tax purposes	7,774	201
Impact of rate differences between deferred and current tax	(7,124)	(8,722)
Deferred tax not recognised	(57,092)	(77,530)
Total tax charge (see above)		

Notes (continued)

8 Fixed assets

	Equipment 2015 £
Cost	
Balance at 1 January	-
Additions	2,884
Balance at 31 December	<u>2,884</u>
Depreciation	
Balance at 1 January	-
Depreciation charge for the year	96
Balance at 31 December	<u>96</u>
Net book value at 31 December	<u>2,788</u>

9 Debtors

	2015 £	2014 £
Amounts owed by group undertakings	-	22,674
Taxation and social security	8,723	8,372
Other debtors	-	700
Prepayments and accrued income	19,165	7,712
	<u>27,888</u>	<u>39,458</u>

10 Creditors: amounts falling due within one year

	2015 £	2014 £
Trade creditors	4,504	10,296
Amounts owed to group undertakings	45,050	60,175
Other creditors	7,283	7,173
Accruals and deferred income	95,741	38,173
	<u>152,578</u>	<u>115,817</u>

11 Creditors: amounts falling due after more than one year

	2015 £	2014 £
Amounts owed to group undertakings	430,977	4,956,346

Amounts owed to group undertakings include loans from LGL Holland B.V., a company incorporated in the Netherlands, of £430,977 (2014: £4,956,346). The loan from LGL Holland B.V. has been drawn from an available facility of €25,000,000, bears interest at Euro LIBOR and is due for repayment on 3 April 2019. The loan agreement was extended in February 2014 and as such is classified as Amounts falling due after more than one year in the 31 December 2015 financial statements. During the year an amount of £4,790,530 representing intercompany loan was written off.

Notes (continued)

12 Deferred taxation

The elements of deferred taxation are as follows:

	Unprovided 2015	2014
	£	£
Other short term timing differences	-	5,505
Tax losses carried forward	857,076	772,525
	<u>857,076</u>	<u>778,030</u>

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to the UK corporation tax rate was announced in the 2016 Budget to further reduce the tax rate to 17% (to be effective from 1 April 2020). This will reduce the company's future current tax charge accordingly.

The directors have assessed the likelihood of the deferred tax balances reversing in the near future. In accordance with FRS102 they have not recognised a deferred tax asset as this is unlikely to be able to be utilised in the near future.

13 Called up share capital

	2015	2014
	£	£
<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>

The non-cumulative preference shares are redeemable at para either wholly or in part at any time at the option of the company. The holders of preference shares are entitled to receive 6% of profits available for distribution. The holders of preference shares are not entiteled to vote at meetings of the Company. During the year the Company has not issued ordinary shares for cash consideration.

14 Reserves

	Capital contribution account	Share premium account	Profit and loss account
	£	£	£
At beginning of year	5,898,734	2,520,760	(16,043,284)
Profit for the year	-	-	278,727
Actuarial profit recognised in the pension schemes	-	-	193,000
Capital contribution	4,790,530	-	-
	<u>10,689,264</u>	<u>2,520,760</u>	<u>(15,571,557)</u>

The capital contribution reserve 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, see note 11.

Notes (continued)

15 Reconciliation of movements in shareholders' deficit

	2015 £	2014 £
Opening shareholders' deficit	(7,309,750)	(6,217,174)
Profit for the financial year	278,727	400,424
Other recognised gains /(losses) in the year	193,000	(1,493,000)
Capital contributions from Parent Company	4,790,530	-
	<u> </u>	<u> </u>
Closing shareholders' deficit	(2,047,493)	(7,309,750)
	<u> </u>	<u> </u>

16 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2015 Other £	2014 Other £
Less than one year	20,293	20,293
Between one and five years	18,913	39,206
More than five years	-	-
	<u> </u>	<u> </u>
	39,206	59,499
	<u> </u>	<u> </u>

17 Pension scheme

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £18,814 (2014: £20,939).

Defined benefit scheme

The Company operates two defined benefit pension schemes. The contribution to the defined benefit schemes is determined by a qualified actuary.

The actuarial estimate performed by an independent qualified actuary has been undertaken to provide the information required under FRS 102.

Notes (continued)

17 Pension scheme (continued)

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

Changes in the present value of the defined benefit obligation are as follows:

	2015 £	2014 £
At 1 January	15,112,000	13,409,000
Company service cost	11,000	10,000
Interest expense	553,000	595,000
Actuarial (Gain) / Loss	(601,000)	1,766,000
Scheme Participant contribution	2,000	2,000
Benefit payments	(422,000)	(670,000)
	<hr/>	<hr/>
At 31 December	14,655,000	15,112,000
	<hr/>	<hr/>

Changes in the fair value of scheme assets are as follows:

	2015 £	2014 £
At 1 January	12,834,000	12,051,000
Contributions by employer	654,000	634,000
Contributions by members	2,000	2,000
Benefits paid	(422,000)	(670,000)
Interest income	479,000	542,000
Remeasurement: Return on plan assets less interest income	(355,000)	275,000
	<hr/>	<hr/>
At 31 December	13,192,000	12,834,000
	<hr/>	<hr/>

The amounts recognised in the balance sheet are following:

	2015 £	2014 £
Fair value of plan assets	13,192,000	12,834,000
Present value of defined benefit obligation	(14,655,000)	(15,112,000)
Amount of previously unrecognised surplus	(1,000)	(1,000)
	<hr/>	<hr/>
Deficit in schemes	(1,464,000)	(2,279,000)
Effect of asset ceiling	(53,000)	=
	<hr/>	<hr/>
Net pension liability before deferred tax	(1,517,000)	(2,279,000)
	<hr/>	<hr/>
Unprovided deferred tax asset at 18% (2014:20%)	273,060	455,800
	<hr/>	<hr/>

Notes (continued)

17 Pension scheme (continued)

Expense recognised in the profit and loss account

	31 December 2015 £	31 December 2014 £
Current service cost	(11,000)	(10,000)
Interest on defined benefit pension plan obligation	(74,000)	(53,000)
Total	(85,000)	(63,000)
Actual return on assets	124,000	817,000

The major categories of total scheme assets are as follows:

	2015 £	2014 £
Equities	3,743,000	3,624,000
Absolute Real Return Funds	1,865,000	1,852,000
Hedge Funds	1,858,000	1,830,000
Bonds	5,496,000	5,285,000
Other (with profits cash)	230,000	243,000
Total	13,192,000	12,834,000

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2015 %	2014 %
Rate of increase in salaries	4.3%	4.2%
Rate of increase in pensions in payment (Staff Scheme)	3.3%	3.2%
Rate of increase in pensions in payment (Works Scheme)	3.3%	3.2%
Discount rate	3.9%	3.7%
Inflation – RPI	3.3%	3.2%
Inflation – CPI	2.3%	2.2%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 21.9 years.
- Future retiree upon reaching 65: 23.2 years.

Notes (continued)

17 Pension scheme (continued)

Movement in balance sheet

	31 December 2015 £	31 December 2014 £
Opening balance sheet net (liability)	(2,279,000)	(1,356,000)
Employer's pension (charge)	(85,000)	(63,000)
Employer's contributions	654,000	633,000
Total amount recognised in OCI	193,000	(1,493,000)
Closing balance sheet net (liability)	(1,517,000)	(2,279,000)

Remeasurements in Other Comprehensive Income

	2015 £	2014 £
Actuarial (gains)/losses immediately recognised	(246,000)	1,493,000
Change in asset ceiling	53,000	-
Total pension cost recognised in the OCI	(193,000)	1,493,000

History of experience gains and losses

	2015 £	2014 £
Fair value of scheme assets	13,192,000	12,834,000
Present value of defined benefit obligation	(14,655,000)	(15,112,000)
Effect of asset ceiling	(53,000)	-
Amount of previously unrecognised surplus	(1,000)	(1,000)
Deficit in the scheme	(1,517,000)	(2,279,000)
Experience adjustments arising on liabilities	(40,000)	(6,000)
Experience adjustments arising on assets	(355,000)	275,000

The Company expects to contribute approximately £634,000 to its defined benefit plans in the next financial year.

18 Contingent liabilities

There were no contingent liabilities at 31 December 2015 (2014: £nil).

Notes (continued)

19 Transactions with related parties

The Company has taken advantage of the exemption in FRS 102 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 1028, 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.

21 Explanation of transition to FRS 102 from Adopted old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.

In preparing its FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following tables and the note that accompany the table.

There were no transition adjustments from UK GAAP to FRS 102 impacting the Balance sheet at 31 December 2014 or the equity as at 1 January 2014.

Reconciliation of profit for the year ended 31 December 2014

	Note	Adopted UK GAAP £000	Effect of transition to FRS 102 £000	FRS 102 £000
Gross profit		763,198	-	763,198
Administrative expenses	a	(293,943)	(2,000)	(295,943)
Operating profit		469,255	(2,000)	467,255
Interest receivable and similar income	a	129,000	(129,000)	-
Interest payable and similar charges	a	(13,831)	(53,000)	(66,831)
Profit on ordinary activities before taxation		584,424	(184,000)	400,424
Tax on profit on ordinary activities		-	-	-
Profit for the year		584,424	(184,000)	400,424

Notes (continued)

21 Explanation of transition to FRS 102 from Adopted old UK GAAP (continued)

	Note	Adopted UK GAAP £000	Effect of transition to FRS 102 £000	FRS 102 £000
Profit for the year	a	584,424	(184,000)	400,424
Other comprehensive income				
Remeasurement of the net defined benefit pension (liability)	a	(1,677,000)	184,000	(1,493,000)
Income tax on other comprehensive income		-	-	-
Other comprehensive income for the year, net of income tax	a	(1,677,000)	184,000	(1,493,000)
Total comprehensive income for the year		(1,092,576)	-	(1,092,576)

Notes to the reconciliation of profit

a) To move the net finance cost and income on pension deficit from the Profit and Loss account to Other comprehensive income.