

Lennox Industries

**Directors' report and financial
statements**

Registered number 671868

31 December 2014

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Directors' report

The directors present their report and audited financial statements for the year ended 31 December 2014.

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 2014 of £584,424 (2013: loss of £234,685).

Dividend

No dividend is proposed for either the ordinary or preference shares for the year (2013: £nil).

Directors

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

D Dibbits (appointed 06/02/2014)

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 (2013: £nil).

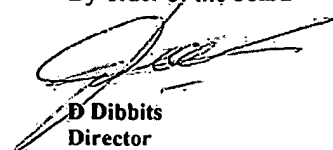
Disclosure of information to auditor

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 Dibbits
Director

28 September 2015

148 Leadenhall Street
London
United Kingdom
EC3V 4QT

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 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 2014 set out on pages 5 to 18. 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 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 2014 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.

B. J. Stapleton

Benjamin 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: *29 September 2015*

Profit and loss account
for the year ended 31 December 2014

	<i>Note</i>	2014 £	2013 £
Turnover	2	763,198	795,517
Cost of sales		<hr/>	<hr/>
Gross profit		763,198	795,517
Administrative expenses		(293,943)	(952,523)
		<hr/>	<hr/>
Operating profit / (loss)		469,255	(157,006)
Interest receivable and other income	6	129,000	-
Interest payable and similar charges	7	(13,831)	(77,679)
		<hr/>	<hr/>
Profit / (loss) on ordinary activities before taxation	3	584,424	(234,685)
Tax on loss/ profit on ordinary activities	8	-	-
		<hr/>	<hr/>
Profit / (loss) for the financial year	15	584,424	(234,685)
		<hr/>	<hr/>

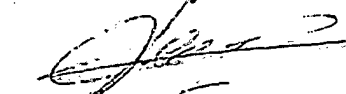
All results arise from continuing operations.

The notes on pages 8 to 18 form part of these financial statements.

Balance sheet
at 31 December 2014

	Note	2014 £	2013 £
Fixed assets			
Investments	9	-	-
Current assets			
Debtors	10	39,458	31,720
Cash at bank and in hand		1,955	36,044
		41,413	67,764
Creditors: amounts falling due within one year	11	(115,817)	(4,919,938)
Net current (liabilities)/ assets		(74,404)	(4,852,174)
Total assets less current liabilities		(74,494)	(4,852,174)
Creditors: amounts falling due after more than one year	12	(4,956,346)	-
Net liabilities excluding pension liabilities		(5,030,750)	(4,852,174)
Pension liabilities	18	(2,279,000)	(1,365,000)
Net liabilities including pension liabilities		(7,309,750)	(6,217,174)
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	(16,043,284)	(14,950,708)
Shareholders' deficit	16	(7,309,750)	(6,217,174)

These financial statements were approved by the board of directors on 28.03.2015 and were signed on its behalf by:


D. Dibbitts
Director

Company registered number: 671868

The notes on pages 8 to 18 form part of these financial statements.

Statement of total recognised gains and losses
for the year ended 31 December 2014

	2014 £	2013 £
Profit / (loss) for the financial year	584,424	(234,685)
Actuarial (losses) / gains recognised in the defined benefit pension schemes	(1,677,000)	16,000
Total recognised losses relating to the financial year	(1,092,576)	(218,685)

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 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 is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a 99% owned subsidiary of HCF-Lennox Limited and 1% owned by Heatcraft Technologies Inc. which in turn are wholly owned subsidiaries of Lennox International Inc., incorporated in the USA, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

Going concern

The accounts have been prepared on a going concern basis notwithstanding net liabilities of £7,309,750 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. During the year the intercompany loan has been formalised as being due in 2019 (note 12). The directors have also received written confirmation from its ultimate parent company, Lennox International Inc., 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.

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.

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

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Investments

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

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/(loss) on ordinary activities before taxation

	2014 £	2013 £
<i>Profit/(loss) on ordinary activities before taxation is stated after charging:</i>		
Hire of plant and machinery under operating leases	16,392	2,976
Other exchange losses	487	1,088
<i>Auditor's remuneration:</i>		
Audit of these financial statements	19,000	19,000
Other services relating to taxation	7,135	7,135
All other services	1,000	1,000
	<u> </u>	<u> </u>

Notes (continued)

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	
	2014	2013
Sales and distribution	7	7
	<u>7</u>	<u>7</u>

The aggregate payroll costs of these persons were as follows:

	2014 £	2013 £
Wages and salaries	336,966	349,518
Social security costs	35,853	37,925
Other pension costs (see below)	30,939	26,521
	<u>403,758</u>	<u>413,964</u>

'Other pension costs' comprise of amounts payable to defined contribution scheme amounting to £20,939 (2013: £16,521), service costs in respect of the defined benefit schemes amounting to £10,000 (2013: £12,000).

6 Interest receivable and similar income

	2014 £	2013 £
Net finance income on pension deficit (See note 18)	129,000	-
	<u>129,000</u>	<u>-</u>

7 Interest payable and similar charges

	2014 £	2013 £
On loans from group undertakings	13,831	6,679
Net finance costs on pension deficit (See note 18)	-	71,000
	<u>13,831</u>	<u>77,679</u>

Notes (continued)

8 Taxation on ordinary activities

Analysis of charge in period

	2014 £	2013 £
<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 recorded for the period is lower (2013: lower) than the standard rate of corporation tax in the UK of 20.0%. The differences are explained below:

	2014 £	2013 £
Profit / (loss) on ordinary activities before tax	<u>584,424</u>	<u>(234,685)</u>
Tax on profit / (loss) on ordinary activities at 21.49% (2013: 23.25%)	<u>125,593</u>	<u>(54,564)</u>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	201	229
Other short term timing differences	(129,106)	259,483
Timing differences on pension deficit	(150,400)	(510,400)
Impact of rate differences between deferred and current tax	(8,722)	7,595
Unutilised tax losses	<u>162,434</u>	<u>297,657</u>
Total current tax charge (see above)	<u> </u>	<u> </u>

Notes (continued)

9 Fixed asset investments

	2014	2013
	£	£
<i>Cost</i>		
At beginning of year	-	-
At end of year	-	-

10 Debtors

	2014	2013
	£	£
Trade debtors	-	-
Amounts owed by group undertakings	22,674	24,391
Taxation and social security	8,372	-
Other debtors	700	700
Prepayments and accrued income	7,712	6,629
	<u>39,458</u>	<u>31,720</u>

11 Creditors: amounts falling due within one year

	2014	2013
	£	£
Trade creditors	10,296	5,029
Amounts owed to group undertakings	60,175	4,805,833
Taxation and social security	-	16,782
Other creditors	7,173	1,304
Accruals and deferred income	38,173	90,990
	<u>115,817</u>	<u>4,919,938</u>

Amounts owed to group undertakings include loans from LGL Holland B.V., a company incorporated in the Netherlands, of £nil (2013: £4,805,833). 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 2014 financial statements.

12 Creditors: amounts falling due after more than one year

	2014	2013
	£	£
Amounts owed to group undertakings	<u>4,956,346</u>	-

Notes (continued)

13 Deferred taxation

The elements of deferred taxation are as follows:

	Unprovided 2014 £	2013 £
Other short term timing differences	5,505	5,706
Tax losses carried forward	772,525	604,581
	<u>778,027</u>	<u>610,287</u>

A reduction in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 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 FRS19 they have not recognised a deferred tax asset which is unlikely to be able to be utilised in the near future.

14 Called up share capital

	2014 £	2013 £
<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 £
At beginning of year	5,898,734	2,520,760	(14,950,708)
Profit for the year			584,424
Actuarial losses recognised in the pension schemes			(1,677,000)
At end of year	<u>5,898,734</u>	<u>2,520,760</u>	<u>(16,043,284)</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.

Notes (continued)

16 Reconciliation of movements in shareholders' deficit

	2014 £	2013 £
Opening shareholders' deficit	(6,217,174)	(5,998,489)
Profit / (loss) for the financial year	584,424	(234,685)
Other recognised (losses) / gains in the year	(1,677,000)	16,000
	<hr/>	<hr/>
Closing shareholders' deficit	(7,309,750)	(6,217,174)
	<hr/>	<hr/>

17 Commitments

(a) Capital commitments

The Company had no capital commitments at either year end.

(b) Lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2014 Other £	2013 Other £
Operating leases which expire:		
Within one year	20,293	2,976
In the second to fifth years inclusive	39,206	16,368
Over five years	-	-
	<hr/>	<hr/>
	59,499	19,344
	<hr/>	<hr/>

18 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 £20,939 (2013: £16,521).

Defined benefit scheme

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

Full actuarial valuations were carried out at 1 January 2013 and updated for FRS 17 purposes to 31 December 2014 by a qualified independent actuary.

Notes (continued)

18 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.

	2014 £	2013 £
Fair value of plan assets	12,834,000	12,051,000
Present value of unfunded defined benefit obligations	(15,112,000)	(13,409,000)
Amount of previously unrecognised surplus	(1,000)	(7,000)
Net liability	(2,279,000)	(1,365,000)
Unprovided deferred tax asset (at 20%) (2013:23%)	455,800	313,950

Movements in present value of defined benefit obligation

	2014 £	2013 £
At 1 January	13,409,000	12,641,000
Current service cost	10,000	12,000
Interest cost	595,000	548,000
Actuarial losses	1,766,000	596,000
Contributions by members	2,000	2,000
Benefits paid	(670,000)	(390,000)
At 31 December	15,112,000	13,409,000

Movements in fair value of plan assets

	2014 £	2013 £
At 1 January	12,051,000	8,716,000
Expected return on plan assets	724,000	477,000
Actuarial gains	93,000	612,000
Contributions by employer	633,000	2,634,000
Contributions by members	2,000	2,000
Benefits paid	(670,000)	(390,000)
At 31 December	12,834,000	12,051,000

Notes (continued)

18 Pension scheme (continued)

Expense recognised in the profit and loss account

	2014 £	2013 £
Current service cost	(10,000)	(12,000)
Interest on defined benefit pension plan obligation	(595,000)	(548,000)
Expected return on defined benefit pension plan assets	724,000	477,000
	<u>119,000</u>	<u>(83,000)</u>
Total	<u>119,000</u>	<u>(83,000)</u>

The expense is recognised in the following line items in the profit and loss account:

	2014 £	2013 £
Administrative expenses	(10,000)	(12,000)
	<u> </u>	<u> </u>
Net finance costs on pension deficit:		
Interest on defined benefit pension plan obligation	(595,000)	(548,000)
Expected return on defined benefit pension plan assets	724,000	477,000
	<u>129,000</u>	<u>(71,000)</u>
	<u> </u>	<u> </u>
Total	<u>119,000</u>	<u>(83,000)</u>

The amounts recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses, and unrecognised surplus are as follows:

	2014 £	2013 £
Actuarial (losses) / gains	(1,677,000)	16,000
	<u> </u>	<u> </u>
Cumulative amount of actuarial losses	(4,952,000)	(3,275,000)
	<u> </u>	<u> </u>

The fair value of the plan assets and the return on those assets were as follows:

	2014 £	2013 £
Equities	3,624,000	5,663,000
Corporate bonds	8,967,000	4,208,000
Cash	243,000	2,180,000
	<u>12,834,000</u>	<u>12,051,000</u>
	<u> </u>	<u> </u>
Actual return on plan assets	817,000	1,089,000
	<u> </u>	<u> </u>

Notes (continued)

18 Pension scheme (continued)

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

	2014 %	2013 %
Discount rate	8.7%	4.5%
Expected rate of return on plan assets	n/a	6.0%
Expected return on plan assets at beginning of the period	6.0%	5.4%
Future salary increases	4.2%	4.5%
Future pension increases	3.2%	3.5%
Inflation - RPI	3.2%	3.5%
Inflation - CPI	2.2%	2.5%

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: 22.1 years.
- Future retiree upon reaching 65: 23.5 years.

History of plans

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

Balance sheet

	2014 £	2013 £	2012 £	2011 £	2010 £
Present value of scheme liabilities	(15,112,000)	(13,409,000)	(12,641,000)	(11,526,000)	(10,198,000)
Fair value of scheme assets	12,833,000	12,051,000	8,716,000	7,782,000	7,481,000
Amount of unrecognised surplus	-	(7,000)	(7,000)	-	-
Deficit	(2,279,000)	(1,365,000)	(3,932,000)	(3,744,000)	(2,717,000)

Experience adjustments

	2014	2013	2012	2011	2010
Difference between expected and actual return on plan assets:					
- amount (£)	93,000	612,000	253,000	(343,000)	(298,000)
- percentage of scheme assets	1%	5%	3%	4%	(4%)
Experience gains and losses on scheme liabilities:					
- amount (£)	6,000	(625,000)	15,000	115,000	9,000
- percentage of scheme liabilities	0%	5%	0%	1%	0%

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

19 Contingent liabilities

There were no contingent liabilities at 31 December 2014 (2013: £nil).

Notes *(continued)*

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.

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.