Lennox Industries

Directors' report and financial statements

Registered number 671868

31 December 2017

Contents

Directors' report

The directors present their report and audited financial statements for the year ended 31 December 2017.

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 2017 of £109,059 *(2016: restated profit of £107,119)*.

Dividend

No dividend is proposed for either the ordinary or preference shares for the year *(2016: £nil)*.

Directors

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

E E Hagethorn (appointed 3 February 2017)
R B Freitas (appointed 3 February 2017)
D Dibbits
R A Pelini
H L A Martino (resigned 3 February 2017)

Political and charitable contributions

The Company made no disclosable political or charitable donations or incurred any disclosable political expenditure during the year *(2016: £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

15.05.2018

D Dibbits
Director

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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

KPMG

Altius House
One North Fourth Street
Milton Keynes
MK9 1NE
United Kingdom

Independent auditor's report to the members of Lennox Industries

Opinion

We have audited the financial statements of Lennox Industries ("the company") for the year ended 31 December 2017 which comprise the Profit and loss account, Other comprehensive income, Balance Sheet and Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as valuation of pension scheme obligations and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

C. Anderson

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: 24 May 2019

Profit and loss account
for the year ended 31 December 2017

	Note	2017 £	Restated* 2016 £
Turnover	2	**899,980**	917,355
Cost of sales		**-**	-
Gross profit		**899,980**	917,355
Administrative expenses		**(772,921)**	(835,212)
Operating profit		**127,059**	82,143
Interest receivable and similar income	7	**-**	28,000
Interest payable and similar charges	6	**(18,000)**	(3,024)
Profit on ordinary activities before taxation	3	**109,059**	107,119
Tax on profit on ordinary activities	8	**210,800**	(61,200)
Profit for the financial year		**319,859**	45,919

*Restated as explained in note 18 to the financial statements

All results arise from continuing operations.

The notes on pages 10 to 22 form part of these financial statements.

Other Comprehensive Income
for the year ended 31 December 2017

	Note	2017 £	Restated* 2016 £
Profit for the financial year		**319,859**	45,919
Other comprehensive income			
Remeasurement of the net defined benefit pension liability *(note 17)*		**1,603,000**	(1,982,000)
Income tax on other comprehensive income		**(210,800)**	61,200
Other comprehensive income for the year, net of income tax		**1,392,200**	(1,920,800)
Total comprehensive income for the year		**1,712,059**	(1,874,881)

*Restated as explained in note 18 to the financial statements

All results arise from continuing operations.

The notes on pages 10 to 22 form part of these financial statements.

Balance sheet
at 31 December 2017

	Note	2017 £	Restated* 2016 £
Fixed assets			
Tangible assets	9	1,634	2,211
		1,634	2,211
Current assets			
Debtors	10	35,206	62,884
Cash at bank and in hand		29,648	13,955
		64,854	76,839
Creditors: amounts falling due within one year	11	(127,040)	(95,497)
Net current liabilities		(62,186)	(18,658)
Total assets less current liabilities		(60,552)	(16,447)
Creditors: amounts falling due after more than one year	12	(1,512,763)	(1,061,927)
Net liabilities excluding pension liabilities		(1,573,315)	(1,078,374)
Provisions for liabilities			
Pensions and similar obligations	17	1,240,000	(967,000)
Deferred tax liability	13	-	-
Net liabilities including pension liabilities		(333,315)	(2,045,374)
Capital and reserves			
Called up share capital	14	314,040	314,040
Capital contribution account	15	10,689,264	10,689,264
Share premium account		2,520,760	2,520,760
Profit and loss account		(13,857,379)	(15,569,438)
Shareholders' deficit		(333,315)	(2,045,374)

These financial statements were approved by the board of directors on 15 May 2019 and were signed on its behalf by:

D Dibbits
Director

Company registered number: 671868

*Restated as explained in note 18 to the financial statements

The notes on pages 10 to 22 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 (restated*) £	Total equity (restated*) £
Balance at 1 January 2016	314,040	10,689,264	2,520,760	(15,571,557)	(2,047,493)
Effect of prior year adjustment*	-	-	-	1,877,000	1,877,000
Balance at 1 January 2016 (restated*)	314,040	10,689,264	2,520,760	(13,694,557)	(170,493)
Total comprehensive income for the period					
Profit or loss (restated*)	-	-	-	45,919	45,919
Other comprehensive income (restated*)	-	-	-	(1,920,800)	(1,920,800)
Total comprehensive income for the period (restated*)	-	-	-	(1,874,881)	(1,874,881)
Balance at 31 December 2016 (restated*)	**314,040**	**10,689,264**	**2,520,760**	**(15,569,438)**	**(2,045,374)**

	Called up share capital £	Capital redemption reserve £	Share premium account £	Profit and loss account £	Total equity £
Balance at 1 January 2017	**314,040**	**10,689,264**	**2,520,760**	**(15,569,438)**	**(2,045,374)**
Total comprehensive income for the period					
Profit or loss	-	-	-	319,859	319,859
Other comprehensive income	-	-	-	1,392,200	1,392,200
Total comprehensive income for the period	-	-	-	1,712,059	1,712,059
Balance at 31 December 2017	**314,040**	**10,689,264**	**2,520,760**	**(13,857,379)**	**(333,315)**

*Restated as explained in note 18 to the financial statements

Notes on pages 10 to 22 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"). The presentation currency of these financial statements is sterling.

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 21. 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 £333,315 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 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.

3 Profit on ordinary activities before taxation

	2017 £	2016 £
Profit on ordinary activities before taxation is stated after charging:		
Other exchange losses	**51,037**	91,619
Auditor's remuneration:		
Audit of these financial statements	**23,500**	23,000
Other services relating to taxation	**8,450**	8,115

4 Remuneration of directors

All directors are remunerated by other group companies and the proportion of this remuneration considered to be in respect of this entity is negligible.

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	
	2017	**2016**
Sales and distribution	**8**	**8**
	8	**8**

Notes *(continued)*

5 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£	£
Wages and salaries	**350,439**	366,097
Social security costs	**35,081**	42,187
Other pension costs (see below)	**22,633**	16,061
	408,153	424,345

'Other pension costs' comprise of amounts payable to defined contribution scheme amounting to £9,633 (2016: £8,061) and service costs in respect of the defined benefit schemes amounting to £13,000 (2016: £8,000).

6 Interest payable and similar charges

	2017	Restated* 2016
	£	£
On loans from group undertakings	-	24
Net finance costs on pension deficit *(See note 17)*	**18,000**	-
Other interest	-	3,000
	18,000	3,024

*Restated as explained in note 18 to the financial statements

7 Interest receivable and similar income

	2017	Restated* 2016
	£	£
Net finance income on pension deficit *(See note 17)*	-	28,000
	-	28,000

*Restated as explained in note 18 to the financial statements

Notes *(continued)*

8 Taxation on ordinary activities

Analysis of charge in period

	2017 £	2016 £
Current tax		
Current tax on income for the period	-	-
Deferred tax		
Origination/(reversal) of timing differences in year	**(210,800)**	61,200
Total deferred tax	**(210,800)**	61,200
Tax on ordinary activities	**(210,800)**	61,200

Factors affecting the tax charge for the current period

The current tax recorded for the period is lower (*2016: higher*) than the standard rate of corporation tax in the UK of 19.25% (*2016:* 20%). The differences are explained below:

	2017 £	Restated* 2016 £
Profit on ordinary activities before tax	**109,059**	107,119
Tax on profit on ordinary activities at 19.25% *(2016: 20%)*	**20,994**	21,424
Effects of:		
Expenses not deductible for tax purposes	**520**	540
Pensions contribution adjustment	**(116,270)**	(131,000)
Impact of rate differences between deferred and current tax	**11,075**	16,865
Deferred tax not recognised	**83,681**	92,171
(Recognition) / derecognition of deferred tax not previously recognised	**(210,800)**	61,200
Total tax (credit) / charge (see above)	**(210,800)**	61,200

	2017			2016 (restated*)		
	£ Current tax	**£ Deferred tax**	**£ Total tax**	£ Current tax	£ Deferred tax	£ Total tax
Recognised in Profit and loss account	-	**(210,800)**	**(210,800)**	-	61,200	61,200
Recognised in other comprehensive income	-	**210,800**	**210,800**	-	(61,200)	(61,200)
Total tax	-	-	-	-	-	-

Reductions in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This is not expected to impact the company's future current tax charge. The deferred tax asset at 31 December 2017 has been calculated based on these rates.

*Restated as explained in note 18 to the financial statements

Notes *(continued)*

9 Fixed assets

	Equipment £
Cost	
Balance at 1 January and 31 December	2,884
Depreciation	
Balance at 1 January	673
Depreciation charge for the year	577
Balance at 31 December	**1,250**
Net book value at 31 December 2017	**1,634**
Net book value at 31 December 2016	2,211

10 Debtors

	2017 £	2016 £
Amounts owed by group undertakings	-	7,022
VAT receivable	10,321	39,603
Prepayments	24,885	16,259
	35,206	62,884

11 Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	20,590	7,434
Amounts owed to group undertakings	32,020	-
Other creditors	7,550	7,550
Accruals and deferred income	66,880	80,513
	127,040	95,497

12 Creditors: amounts falling due after more than one year

	2017 £	2016 £
Amounts owed to group undertakings	1,512,763	1,061,927

Amounts owed to group undertakings include loans from LGL Holland B.V., a company incorporated in the Netherlands, of £1,512,763 *(2016: £1,061,927)*. 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.

Notes *(continued)*

13 Deferred taxation

The elements of deferred taxation are as follows:

	Unprovided 2017 £	Restated* 2016 £
Tax losses carried forward	**780,790**	907,908
	780,790	907,908

*Restated as explained in note 18 to the financial statements

The directors have assessed the likelihood of the deferred tax balances reversing in the near future. In accordance with FRS102 they have only recognised a deferred tax asset to the extent this is expected to be utilised in the near future.

Deferred tax assets and liabilities are attributable to the following:

	Assets 2017 £	2016 £	Liabilities 2017 £	2016 £	Net 2017 £	2016 £
Employee benefits	**-**	-	**210,800**	-	**210,800**	-
Unused tax losses	**(210,800)**	-	**-**	-	**(210,800)**	-
Tax (assets) / liabilities	**(210,800)**	-	**210,800**	-	**-**	-

14 Called up share capital

	2017 £	2016 £
Allotted, called up and fully paid		
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
	314,040	314,040

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.

15 Reserves

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.

Notes *(continued)*

16 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017 Other £	2016 Other £
Less than one year	**20,166**	20,665
Between one and five years	**11,937**	12,033
More than five years	**-**	-
	32,103	32,698

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 £9,633 *(2016: £8,061)*.

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:

	2017 £	Restated* 2016 £
At 1 January	**16,177,000**	12,764,000
Company service cost	**13,000**	8,000
Interest expense	**434,000**	489,000
Actuarial (gain) / loss	**(1,335,000)**	3,442,000
Scheme Participant contribution	**2,000**	2,000
Benefit payments	**(366,000)**	(528,000)
At 31 December	**14,925,000**	16,177,000

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

	2017 £	2016 £
At 1 January	**15,256,000**	13,192,000
Contributions by employer	**635,000**	635,000
Contributions by members	**2,000**	2,000
Benefits paid	**(366,000)**	(528,000)
Interest income	**416,000**	517,000
Remeasurement: Return on plan assets less interest income	**333,000**	1,438,000
At 31 December	**16,276,000**	15,256,000

The amounts recognised in the balance sheet are following:

	2017 £	Restated* 2016 £
Fair value of plan assets	**16,276,000**	15,256,000
Present value of defined benefit obligation	**(14,925,000)**	(16,177,000)
Deficit in schemes	**1,351,000**	(921,000)
Effect of asset ceiling	**(111,000)**	(46,000)
Net pension liability before deferred tax	**1,240,000**	(967,000)
Unprovided deferred tax asset at 17% *(2016: 17%)*	**-**	164,390
Provided deferred tax liability at 17% *(2016: 17%)*	**(210,800)**	-

Notes *(continued)*

17 Pension scheme *(continued)*

Expense recognised in the profit and loss account

	2017 £	Restated* 2016 £
Current service cost	**(13,000)**	(8,000)
Interest (income) / expense on defined benefit pension plan obligation	**(18,000)**	28,000
Total	**(31,000)**	20,000
Actual return on assets	**748,000**	1,956,000

The major categories of total scheme assets are as follows:

	2017 £	2016 £
Equities	**2,436,000**	4,681,000
Absolute Real Return Funds	**7,061,000**	4,074,000
Hedge Funds	**2,169,000**	2,126,000
Bonds	**4,338,000**	4,150,000
Other (with profits cash)	**272,000**	225,000
	16,276,000	15,256,000

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

	2017 %	2016 %
Rate of increase in salaries	**4.2**	4.4
Rate of increase in pensions in payment (Staff Scheme)	**3.2**	3.4
Rate of increase in pensions in payment (Works Scheme)	**3.2**	3.4
Discount rate	**2.5**	2.7
Inflation – RPI	**3.2**	3.4
Inflation – CPI	**2.2**	2.4

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: 21.8 years (male), 22.9 years (female).
- Future retiree upon reaching 65: 22.9 years (male), 24.8 years (female).

Notes *(continued)*

17 Pension scheme *(continued)*

Movement in balance sheet

	2017	Restated* 2016
	£	£
Opening balance sheet net (liability)/asset	**(967,000)**	360,000
Employer's pension (charge)	**(31,000)**	20,000
Employer's contributions	**635,000**	635,000
Total amount recognised in OCI	**1,603,000**	(1,982,000)
Closing balance sheet net asset / (liability)	**1,240,000**	(967,000)

Remeasurements in Other Comprehensive Income

	2017	Restated* 2016
	£	£
Actuarial gains / (losses) immediately recognised	**1,668,000**	(2,004,000)
Change in asset ceiling	**(65,000)**	22,000
Total pension cost recognised in the OCI	**1,603,000**	(1,982,000)

History of experience gains and losses

	2017	Restated* 2016
	£	£
Fair value of scheme assets	**16,276,000**	15,256,000
Present value of defined benefit obligation	**(14,925,000)**	(16,177,000)
Effect of asset ceiling	**(111,000)**	(46,000)
Deficit in the scheme	**1,240,000**	(967,000)

The Company expects to contribute approximately £635,000 to its defined benefit plans in the next financial year.

*Restated as explained in note 18 to the financial statements

Notes *(continued)*

18 Prior year adjustment

During the year ended 31 December 2017, it was identified that the pension scheme deficit was incorrectly recorded in the financial statements for the following reasons:

1. The pension deficit previously recorded had included an expense reserve which is not allowable under FRS 102. The expense reserve arose in years before 31 December 2015 and so has been reversed directly through retained earnings.

2. A number of years ago a change had been made to the scheme rules which resulted in a reduction of the defined benefit liability calculation. This change had not been reflected in the pension scheme deficit calculations at the time or subsequently. As a result the defined benefit liability and the associated interest expense on the defined benefit liability have been reduced. This reduction resulted in a net pension scheme asset as at 1 January 2016 and so a deferred tax liability and associated deferred tax asset were also recognised at that time. However, during 2016 the scheme reverted to a net liability position and the deferred tax liability and asset were released.

As a result, the comparative financial information has been restated as presented in the table below.

	Restated	As previously reported	Adjustment
	£	£	£
Profit and loss account:			
Interest receivable and other similar income	28,000	-	28,000
Interest payable and similar charges	(3,024)	(51,024)	48,000
Tax on profit on ordinary activities	(61,200)	-	(61,200)
Other comprehensive income:			
Remeasurement of the net defined beneifit pension liability	(1,982,000)	(3,083,000)	1,101,000
Income tax on other comprehensive income	61,200	-	61,200
Balance sheet:			
Pension liability	(970,000)	(4,024,000)	3,054,000
Net liabilities including pension liabilities	**(970,000)**	**(4,024,000)**	**3,054,000**
Profit and loss account – prior to 1 January 2016	13,694,557	15,571,557	(1,877,000)
Profit and loss account – total comprehensive income for the year ended 31 December 2016	1,874,881	3,051,881	(1,177,000)
Shareholders' deficit	**15,569,438**	**18,623,438**	**(3,054,000)**

19 Contingent liabilities

There were no contingent liabilities at 31 December 2017 *(2016: £nil)*.

Notes *(continued)*

20 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.

21 Ultimate parent company and controlling party

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

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.