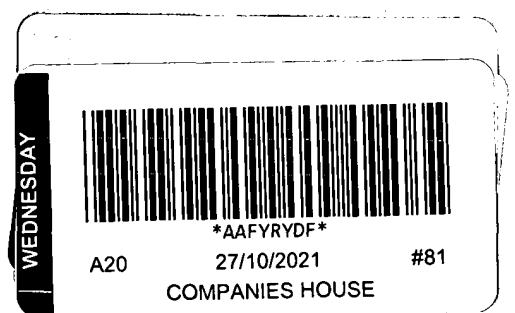


Lennox Industries

**Directors' report and financial
statements**

Registered number 671868

31 December 2020



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Directors' report

The directors present their report and audited financial statements for the year ended 31 December 2020.

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 2020 of £262,556 (2019: profit before taxation of £288,715).

Dividend

No dividend is proposed for either the ordinary or preference shares for the year (2019: £nil).

Directors

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

E E Hagethorn

R B Freitas

R A Pelini (resigned on 02 January 2021)

P H 't Hart

T McCray (appointed on 01 January 2021)

Strategic report

The company meets the requirement for small company and is exempted to prepare strategic report in accordance with Section 414B of the Companies Act 2006.

Political and charitable contributions

The Company made no disclosable political or charitable donations or incurred any disclosable political expenditure during the year (2019: £nil).

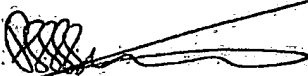
Disclosure of information to auditor

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 21 October 2021



P H 't Hart
Director

5 Churchill Place
10th Floor
London
E14 5HU

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LENNOX INDUSTRIES

Opinion

We have audited the financial statements of Lennox Industries Limited ("the company") for the year ended 31 December 2020 which comprise the Statement of Profit and Loss and Other Comprehensive Income, the 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 2020 and of its loss 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.

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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LENNOX INDUSTRIES *(continued)*

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because all the revenue is derived from a single type of simple revenue transaction.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. This included unusual double entry combinations impacting revenue, unusual double entry combinations impacting cash and journal entries containing key words.
- Assessing significant accounting estimates for bias

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, money laundering, employment law and recognising the nature of the company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LENNOX INDUSTRIES *(continued)*

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.


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.



Mark Smith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
58 Clarendon Road
Watford
WD17 1DE

Date: 22 October 2021

Profit and loss account
for the year ended 31 December 2020

	<i>Note</i>	2020 £	2019 £
Turnover	2	1,126,558	914,553
Cost of sales		(3,829)	(5,102)
		<hr/>	<hr/>
Gross profit		1,122,729	909,451
Administrative expenses		(887,634)	(638,253)
		<hr/>	<hr/>
Operating profit/(loss)		235,095	271,198
Interest receivable and similar income	7	50,000	38,000
Interest payable and similar charges	6	(22,539)	(20,483)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	3	262,556	288,715
Tax on profit on ordinary activities	8	(106,970)	199,690
		<hr/>	<hr/>
Profit/(loss) for the financial year		155,586	488,405
		<hr/>	<hr/>

All results arise from continuing operations.

The notes on pages 10 to 21 form part of these financial statements.

Other Comprehensive Income
for the year ended 31 December 2020

	<i>Note</i>	2020 £	2019 £
Profit/(loss) for the financial year		155,586	488,405
Other comprehensive income			
Remeasurement of the net defined benefit pension liability	<i>16</i>	(563,000)	1,051,000
Income tax on other comprehensive income	<i>8</i>	106,970	(199,690)
		<hr/>	<hr/>
Other comprehensive (loss) / income for the year, net of income tax		(456,030)	851,310
		<hr/>	<hr/>
Total comprehensive(loss)/ income for the year		(300,444)	1,339,715
		<hr/> <hr/>	<hr/> <hr/>

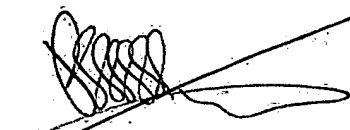
All results arise from continuing operations.

The notes on pages 10 to 21 form part of these financial statements.

Balance sheet
at 31 December 2020

	<i>Note</i>	2020 £	2019 £
Non-current assets			
Property, plant and equipment	9	-	481
Retirement benefit scheme surplus	16	1,922,000	2,461,000
		<u>1,922,000</u>	<u>2,461,481</u>
Current assets			
Debtors	10	41,939	36,944
Cash at bank and in hand		80,264	205,247
		<u>122,203</u>	<u>242,191</u>
Creditors: amounts falling due within one year	11	(1,862,107)	(2,221,132)
Net current liabilities		<u>(1,739,904)</u>	<u>(1,978,941)</u>
Total assets less current liabilities		<u>182,096</u>	<u>482,540</u>
Provisions for liabilities			
Deferred tax liability	12	-	-
Net liabilities		<u>182,096</u>	<u>482,540</u>
Capital and reserves			
Called up share capital	13	314,040	314,040
Capital contribution account	14	10,689,264	10,689,264
Share premium account		2,520,760	2,520,760
Profit and loss account		(13,341,968)	(13,041,524)
Shareholders' deficit		<u>182,096</u>	<u>482,540</u>

These financial statements were approved by the board of directors on 21 October 2021 and were signed on its behalf by:


P H 't Hart
Director

Company registered number: 671868

The notes on pages 10 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 2019	314,040	10,689,264	2,520,760	(14,381,239)	(857,175)
Total comprehensive income for the period					
Profit or loss	-	-	-	488,405	488,405
Other comprehensive income	-	-	-	851,310	851,310
Total comprehensive income for the period	-	-	-	1,339,715	1,339,715
Balance at 31 December 2019	314,040	10,689,264	2,520,760	(13,041,524)	482,540
	Called up share capital £	Capital redemption reserve £	Share premium account £	Profit and loss account £	Total equity £
Balance at 1 January 2020	314,040	10,689,264	2,520,760	(13,041,524)	482,540
Total comprehensive income for the period					
Profit or loss	-	-	-	155,586	155,586
Other comprehensive (loss) /income	-	-	-	(456,030)	(456,030)
Total comprehensive income for the period	-	-	-	(300,444)	(300,444)
Balance at 31 December 2020	314,040	10,689,264	2,520,760	(13,341,968)	182,096

Notes on pages 10 to 21 form part of these financial accounts.

Notes

(forming part of the financial statements)

I 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 19. 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 16. 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

Notwithstanding net current liabilities of £1,739,904 as at 31 December 2020, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Company is dependent upon sustained sales made by the parent company which will result in commission income for Lennox Industries. Furthermore, the company earns revenue on after sales services provided to the customers of the parent company. In the event of a second wave of Covid 19 and resulting government or self-imposed shutdown, the cessation of sales of goods by the parent company could result in a shortfall of cash flow for the company. However, the company has access to loans from LGL, Holland B.V., to mitigate this risk. Furthermore, Lennox International Inc. – the Ultimate Parent Company, has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds through funding from its fellow subsidiary company, LGL, Holland B.V., to meet its liabilities as they fall due for that period. Those forecasts are dependent on LGL, Holland B.V. not seeking repayment of the amounts currently due, which at the balance sheet date amounted to £1,680,899. Were LGL, Holland B.V. to seek repayment of this loan, these forecasts would become dependent on the company's ultimate parent company, Lennox International Inc., providing additional financial support during that period. Lennox International Inc. has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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:

Equipment	5-10 years
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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.

Notes (continued)

1 Accounting policies (continued)

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.

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 Benelux BV and other related income being the reimbursement by Lennox Benelux 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/(loss) on ordinary activities before taxation

	2020	2019
	£	£
<i>Profit/(loss) on ordinary activities before taxation is stated after charging:</i>		
Other exchange (gain)/loss	129,385	(121,015)
<i>Auditor's remuneration:</i>		
Audit of these financial statements	30,100	29,500
Other services relating to taxation	9,750	9,100

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.

Notes (continued)

5 Staff numbers and costs

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

	Number of employees	
	2020	2019
Sales and distribution	10	9
	<u>10</u>	<u>9</u>

The aggregate payroll costs of these persons were as follows:

	2020 £	2019 £
Wages and salaries	431,720	365,822
Social security costs	43,785	38,360
Other pension costs (see below)	39,718	16,516
	<u>515,223</u>	<u>420,698</u>

'Other pension costs' comprise of amounts payable to defined contribution scheme amounting to £13,718 (2019: £11,516) and service costs in respect of the defined benefit schemes amounting to £26,000 (2019: £5,000).

6 Interest payable and similar charges

	2020 £	2019 £
On loans from group undertakings	22,539	20,483
	<u>22,539</u>	<u>20,483</u>

7 Interest receivable and similar income

	2020 £	2019 £
Net finance income on pension surplus (See note 16)	50,000	38,000
	<u>50,000</u>	<u>38,000</u>

Notes (continued)

8 Taxation on ordinary activities

Analysis of tax charge/(credit) in the year:

	2020 £	2019 £
<i>Current tax</i>		
Current tax on income for the period	-	-
<i>Deferred tax</i>		
Origination/(reversal) of timing differences in year	106,970	(199,690)
Total deferred tax	106,970	(199,690)
Tax on ordinary activities	106,970	(199,690)

Factors affecting the tax charge for the current period

The current tax recorded for the period is higher than (2019: lower) the standard rate of corporation tax in the UK of 19 % (2019: 19%). The differences are explained below:

	2020 £	2019 £
Profit / (loss) on ordinary activities before tax	262,556	288,715
Tax on profit on ordinary activities at 19% (2019: 19%)	50,000	54,855
<i>Effects of:</i>		
Expenses not deductible for tax purposes	91	110
Pensions contribution adjustment	-	-
Carry forward tax losses	(50,000)	(54,855)
(Recognition) / derecognition of deferred tax not previously recognised	106,879	(199,800)
Total tax (credit) / charge (see above)	106,970	(199,690)

	2020			2019		
	£	£	£	£	£	£
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	-	106,970	106,970	-	(199,690)	(199,690)
Recognised in other comprehensive income	-	(106,970)	(106,970)	-	199,690	199,690
Total tax	-	-	-	-	-	-

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) was recognised accordingly.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly.

Notes (continued)

9 Fixed assets

	Equipment £
Cost	
Balance at 1 January and 31 December	2,884
Depreciation	
Balance at 1 January	2,403
Depreciation charge for the year	481
Balance at 31 December	2,884
Net book value at 31 December 2020	0
Net book value at 31 December 2019	481

10 Debtors

	2020 £	2019 £
VAT receivable	13,722	15,420
Prepayments	28,093	21,524
Other debtors	124	-
	<u>41,939</u>	<u>36,944</u>

11 Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	19,320	8,956
Amounts owed to group undertakings	1,722,323	2,129,420
Other creditors	-	3,401
Accruals and deferred income	120,464	79,355
	<u>1,862,107</u>	<u>2,221,132</u>

Amounts owed to group undertakings include loans from LGL Holland B.V., a company incorporated in the Netherlands, of £1,680,899 (2019: £2,129,264). The loan from LGL Holland B.V. has been drawn from an available facility of €25,000,000 and bears interest at Euro LIBOR. The loan is repayable on demand. Accordingly, the outstanding balance as at 31 December 2020 has been classified as current liabilities.

Notes (continued)

12 Deferred taxation

The elements of deferred taxation are as follows:

	Unprovided	
	2020	2019
	£	£
Tax losses carried forward	724,024	716,365
	<u>724,024</u>	<u>716,365</u>

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		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
	£	£	£	£	£	£
Employee benefits	-	-	365,180	467,590	365,180	467,590
Unused tax losses	(365,180)	(467,590)	-	-	(365,180)	(467,590)
	<u>(365,180)</u>	<u>(467,590)</u>	<u>365,180</u>	<u>467,590</u>	<u>-</u>	<u>-</u>
Tax (assets) / liabilities	<u>(365,180)</u>	<u>(467,590)</u>	<u>365,180</u>	<u>467,590</u>	<u>-</u>	<u>-</u>

13 Called up share capital

	2020	2019
	£	£
<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 par 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 entitled to vote at meetings of the Company. During the year the Company has not issued ordinary shares for cash consideration.

14 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)

15 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2020 Other £	2019 Other £
Less than one year	33,471	35,911
Between one and five years	17,604	44,166
More than five years	-	-
	<hr/> 51,075 <hr/>	<hr/> 80,077 <hr/>

16 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 £13,718 (2019: £11,516).

Defined benefit scheme

The Company previously operated two defined benefit pension schemes. On 19 March 2018, the Trustee of the Works Scheme paid a premium to an insurance company in exchange for an annuity policy which exactly matched the liabilities in the Works Scheme for all members (i.e. a buy-in). On 19 October 2018, the Trustee's policy was converted into individual policies in the names of members (i.e. a buy-out). From this date, the Works Scheme no longer held any liability for deferred or pensioner members.

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)

16 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:

	2020 £	2019 £
At 1 January	14,786,000	14,007,000
Company service cost	-	5,000
Past service cost	26,000	-
Interest expense	289,000	387,000
Member contributions	-	1,000
Actuarial (gain)	2,508,000	1,051,000
Experience gain on liabilities	-	(271,000)
Scheme Participant contribution	-	-
Benefit payments	(649,000)	(394,000)
Settlements	-	-
	<hr/>	<hr/>
At 31 December	16,960,000	14,786,000
	<hr/>	<hr/>

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

	2020 £	2019 £
At 1 January	17,247,000	15,380,000
Contributions by employer	-	4,000
Contributions by members	-	1,000
Benefits paid	(649,000)	(394,000)
Interest income	338,000	425,000
Remeasurement: Return on plan assets less interest income	1,946,000	1,831,000
	<hr/>	<hr/>
At 31 December	18,882,000	17,247,000
	<hr/>	<hr/>

The amounts recognised in the balance sheet are following:

	2020 £	2019 £
Fair value of plan assets	18,882,000	17,247,000
Present value of defined benefit obligation	(16,960,000)	(14,786,000)
	<hr/>	<hr/>
Net pension liability before deferred tax	1,922,000	2,461,000
	<hr/>	<hr/>
Provided deferred tax liability at 19% (2019: 19%)	(365,180)	(467,590)
	<hr/>	<hr/>

Notes (continued)

16 Pension scheme (continued)

Expense recognised in the profit and loss account

	2020 £	2019 £
Current service cost	-	(5,000)
Past service cost	(26,000)	-
Settlements	-	-
Interest income/ (expense) on defined benefit pension plan obligation	50,000	38,000
	<hr/>	<hr/>
Total	24,000	33,000
	<hr/>	<hr/>
Actual return on assets	2,284,000	2,256,000

The major categories of total scheme assets are as follows:

	2020 £	2019 £
Corporate Bonds	12,263,000	11,500,000
Equities	-	-
Diversified Growth Funds	-	-
Bonds / Liability Driven Investments	6,175,000	5,302,000
Annuity policies	421,000	422,000
Other (with profits cash)	23,000	23,000
	<hr/>	<hr/>
	18,882,000	17,247,000
	<hr/>	<hr/>

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

	2020 %	2019 %
Rate of increase in salaries	3.5	3.5
Rate of increase in pensions in payment	3.3	3.2
Discount rate	1.3	2.0
Inflation – RPI	3.0	3.0
Inflation – CPI	2.5	2.0

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 years (male), 23.7 years (female).
- Current pensioner aged 45: 23 years (male), 24.9 years (female).

Notes (continued)

16 Pension scheme (continued)

Movement in balance sheet

	2020 £	2019 £
Opening balance sheet net (liability)/asset	2,461,000	1,373,000
Employer's pension (charge)	24,000	33,000
Employer's contributions	-	4,000
Total amount recognised in OCI	(563,000)	1,051,000
	<hr/>	<hr/>
Closing balance sheet net asset / (liability)	1,922,000	2,461,000

Remeasurements in Other Comprehensive Income

	2020 £	2019 £
Actuarial gains immediately recognised	(563,000)	1,051,000
Change in asset ceiling	-	-
	<hr/>	<hr/>
Total pension cost recognised in the OCI	(563,000)	1,051,000

History of experience gains and losses

	2020 £	2019 £
Fair value of scheme assets	18,882,000	17,247,000
Present value of defined benefit obligation	(16,960,000)	(14,786,000)
	<hr/>	<hr/>
Surplus in the scheme	1,922,000	2,461,000

A joint consultation between the UK Government and the UK Statistics Authority (UKSA) was run during 2020 on the proposal to amend the flawed RPI index by aligning it with CPIH at a future date between 2025 and 2030. The response published on 25 November 2020 confirmed that RPI will be aligned with CPIH from 2030 onwards which suggests the RPI-CPI "wedge" applied when setting CPI assumptions should be close to zero post-2030. In light of the consultation response, the Company has reduced the assumed RPI-CPI wedge by 45 basis points (from 1.0% to 0.55%) compared with the prior year methodology. This reflects an RPI-CPI wedge of 100bps pre-2030 and 10bps post-2030. The impact of the change in the best estimate RPI-CPI wedge applied when setting the CPI assumption is a c. £0.5m increase in the DBO.

Notes (continued)

17 Contingent liabilities

There were no contingent liabilities at 31 December 2020 (2019: £nil).

18 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.

19 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.