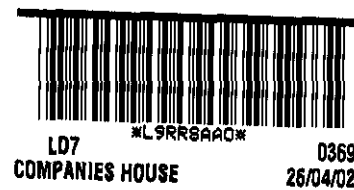


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Company Registration No. 3453820 (England and Wales)

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LOCHINVAR LIMITED ✓
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2001



LOCHINVAR LIMITED

COMPANY INFORMATION

Directors	W.L. Vallett T.A. Vallett J.W. Vallett D J Pepper R A Anderson
Secretary	T.A. Vallett
Company number	3453820
Registered office	Acre House 11-15 William Road London NW1 3ER
Business address	7 Lombard Way The MXL Centre Banbury Oxon OX16 4TJ
Auditors	H W Fisher & Company Acre House 11-15 William Road London NW1 3ER
Bankers	First Union National Bank 3 Bishopgate London EC2N 3AB

LOCHINVAR LIMITED

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LOCHINVAR LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2001

The directors present their report and accounts for the year ended 31 December 2001.

Principal activities

The principal activity of the company continues to be that of supplying equipment to the heating industry.

Results and dividends

The profit for the year after taxation amounted to £97,301.

Directors and their interests

The directors at 31 December 2001 and their beneficial interests in the shares of the company were:

	Ordinary shares of £ 1 each	
	31 December 2001	1 January 2001
W.L. Vallett	133,334	133,334
T.A. Vallett	133,334	133,334
J.W. Vallett	133,334	133,334
D J Pepper	-	-
R A Anderson	-	-

On the 1st January 2002, M Glass resigned as a director and D. J. Pepper and R. A. Anderson were appointed directors.

Auditors

A resolution proposing the reappointment of H W Fisher & Company as auditors will be put to the members at the next Annual General Meeting.

On behalf of the Board



W.L. Vallett

Director

Dated: 4/2/02

LOCHINVAR LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which 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 those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

LOCHINVAR LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the accounts of Lochinvar Limited for the year ended 31 December 2001 set out on pages 4 to 12. These accounts have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

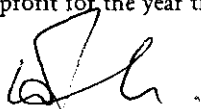
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



H W Fisher & Company

Chartered Accountants
Registered Auditor
Acre House
11-15 William Road
London
NW1 3ER
United Kingdom

Dated: 12/4/02

LOCHINVAR LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

	Notes	2001 £	2000 £
Turnover	2	3,218,193	2,919,588
Cost of sales		(1,911,270)	(1,557,589)
Gross profit		1,306,923	1,361,999
Administrative expenses		(1,158,953)	(1,049,396)
Operating profit	3	147,970	312,603
Other income	5	2,596	3,872
Interest payable and similar charges	6	(27,375)	(16,094)
Profit on ordinary activities before taxation		123,191	300,381
Tax on profit on ordinary activities	7	(25,890)	(97,084)
Profit on ordinary activities after taxation		97,301	203,297
Retained profit brought forward		477,713	274,416
Retained profit carried forward		575,014	477,713

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

LOCHINVAR LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2001

	Notes	2001 £	£	2000 £	£
Fixed assets					
Intangible assets	8		416,000		442,000
Tangible assets	9		178,459		124,698
			<u>594,459</u>		<u>566,698</u>
Current assets					
Stocks	10	919,594		785,409	
Debtors	11	516,920		482,109	
Cash at bank and in hand		33,174		302,699	
		<u>1,469,688</u>		<u>1,570,217</u>	
Creditors: amounts falling due within one year	12	<u>(1,089,131)</u>		<u>(1,259,200)</u>	
Net current assets			<u>380,557</u>		<u>311,017</u>
Total assets less current liabilities			<u>975,016</u>		<u>877,715</u>
Capital and reserves					
Called up share capital	13		400,002		400,002
Profit and loss account			575,014		477,713
Shareholders' funds - all equity interests	14		<u>975,016</u>		<u>877,715</u>

The accounts were approved by the Board on 4/2/02

x W.L. Vallett

W.L. Vallett
Director

LOCHINVAR LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2001

	Notes	2001 £	2000 £
Net cash (outflow)/inflow from operating activities	15	(53,421)	94,846
Returns on investments and servicing of finance			
Interest received	2,596	3,872	
Interest paid	(27,375)	(16,094)	
Net cash outflow from returns on investments and servicing of finance		(24,779)	(12,222)
Corporation tax		(97,200)	(91,657)
Capital expenditure			
Payments to acquire tangible fixed assets	(102,125)	(94,951)	
Receipts from sales of tangible fixed assets	8,000	33,326	
Net cash outflow from capital expenditure		(94,125)	(61,625)
Net cash outflow before financing		(269,525)	(70,658)
Financing			
Capital element of hire purchase and finance lease rentals	-	(1,920)	
Net cash outflow from financing		-	(1,920)
Decrease in cash	16	(269,525)	(72,578)

LOCHINVAR LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2001

1 Accounting policies

1.1 Basis of preparation

The accounts have been prepared under the historical cost convention.

1.2 Turnover

Turnover represents the invoiced value of goods sold and services provided net of VAT.

1.3 Goodwill

Acquired goodwill is amortised over a period of 20 years.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	25% Reducing balance
Leasehold property	over the term of the lease
Plant and machinery	25% Reducing balance
Fixtures, fittings & equipment	25% Reducing balance
Motor vehicles	25% Reducing balance

1.5 Leasing

Rental payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

1.6 Stock

Stock is stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing the stocks to their present location and condition.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

1.7 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.8 Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All differences are taken to profit and loss account.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

LOCHINVAR LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2001

3	Operating profit	2001	2000
		£	£
	Operating profit is stated after charging:		
	Amortisation of intangible fixed assets	26,000	26,000
	Depreciation of owned tangible fixed assets	40,597	26,498
	Depreciation of tangible fixed assets held under finance leases and hire purchase contracts	-	780
	Operating lease rentals		
	- Plant and machinery	49,071	53,920
	Auditors' remuneration	8,750	8,500
		<u> </u>	<u> </u>
4	Employees		
	Number of employees		
	The average monthly number of employees during the year was:		
		2001	2000
		Number	Number
	Selling and administration	19	19
		<u> </u>	<u> </u>
	Employment costs		
		£	£
	Wages and salaries	501,892	455,537
	Social security costs	52,332	51,613
	Other pension costs	11,491	10,890
		<u> </u>	<u> </u>
		565,715	518,040
		<u> </u>	<u> </u>
5	Other income	2001	2000
		£	£
	Interest receivable and similar income	2,596	3,872
		<u> </u>	<u> </u>
6	Interest payable and similar charges	2001	2000
		£	£
	Interest payable on:		
	Other loans	27,375	16,094
		<u> </u>	<u> </u>

LOCHINVAR LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2001

7	Tax on profit on ordinary activities	2001	2000
		£	£
	U.K. Current year taxation		
	U.K. Corporation tax at 20% (2000 - 28%)	25,890	97,200
	Prior years		
	U.K. Corporation tax	-	(116)
		<hr/>	<hr/>
		25,890	97,084
		<hr/>	<hr/>
8	Intangible fixed assets		
			Goodwill
			£
	Cost		
	At 1 January 2001 and at 31 December 2001		520,000
			<hr/>
	Amortisation		
	At 1 January 2001		78,000
	Charge for year		26,000
			<hr/>
	At 31 December 2001		104,000
			<hr/>
	Net book value		
	At 31 December 2001		416,000
			<hr/>
	At 31 December 2000		442,000
			<hr/>

LOCHINVAR LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2001

9 Tangible fixed assets

	Computer equipment	Leasehold improve - ments	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 January 2001	23,479	53,190	7,397	58,885	32,073	175,024
Additions	35,377	2,500	1,449	10,576	52,223	102,125
Disposals	-	-	-	-	(22,855)	(22,855)
At 31 December 2001	58,856	55,690	8,846	69,461	61,441	254,294
Depreciation						
At 1 January 2001	11,300	5,216	3,629	14,082	16,099	50,326
On disposals	-	-	-	-	(15,088)	(15,088)
Charge for the year	8,946	12,254	1,150	12,078	6,169	40,597
At 31 December 2001	20,246	17,470	4,779	26,160	7,180	75,835
Net book value						
At 31 December 2001	38,610	38,220	4,067	43,301	54,261	178,459
At 31 December 2000	12,179	47,974	3,768	44,803	15,974	124,698

10 Stocks

	2001 £	2000 £
Finished goods and goods for resale	919,594	785,409

11 Debtors

	2001 £	2000 £
Trade debtors	457,639	462,118
Prepayments and accrued income	59,281	19,991
	516,920	482,109

LOCHINVAR LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2001

12	Creditors: amounts falling due within one year	2001	2000
		£	£
	Trade creditors	415,697	534,561
	Corporation tax	25,890	97,200
	Other taxes and social security costs	49,357	37,423
	Loans from shareholders	456,242	456,242
	Other creditors	27,375	27,375
	Accruals and deferred income	114,570	106,399
		<u>1,089,131</u>	<u>1,259,200</u>
The loans are repayable on demand and carry interest at a rate of 6% per annum.			
13	Share capital	2001	2000
		£	£
	Authorised		
	400,002 Ordinary shares of £ 1 each	<u>400,002</u>	<u>400,002</u>
	Allotted, called up and fully paid		
	400,002 Ordinary shares of £ 1 each	<u>400,002</u>	<u>400,002</u>
14	Reconciliation of movements in shareholders' funds	2001	2000
		£	£
	Profit for the financial year	97,301	203,297
	Opening shareholders' funds	<u>877,715</u>	<u>674,418</u>
	Closing shareholders' funds	<u>975,016</u>	<u>877,715</u>
15	Net cash (outflow)/inflow from operating activities	2001	2000
		£	£
	Reconciliation to operating profit:		
	Operating profit	147,970	312,603
	Depreciation of tangible fixed assets	40,597	27,278
	Amortisation of intangible fixed assets	26,000	26,000
	Loss on disposal of tangible fixed assets	(233)	(2,609)
	Increase in stocks	(134,185)	(120,513)
	(Increase)/decrease in debtors	(34,811)	98,899
	Decrease in creditors	(98,759)	(246,812)
		<u>(53,421)</u>	<u>94,846</u>

LOCHINVAR LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2001

16 Reconciliation of net cash flow to movement in net debt	2001	2000
	£	£
Decrease in cash	(269,525)	(72,578)
Capital element of hire purchase and finance lease rentals	-	1,920
Movement in net debt	(269,525)	(70,658)
Net debt at 1 January 2001	302,699	373,357
Net debt at 31 December 2001	33,174	302,699

17 Analysis of net debt	At 1 January 2001	Cash flow	At 31 December 2001
	£	£	£
Cash at bank and in hand	302,699	(269,525)	33,174
	<u>302,699</u>	<u>(269,525)</u>	<u>33,174</u>

18 Commitments under operating leases

At 31 December 2001 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2001	2000	2001	2000
	£	£	£	£
Expiry date:				
Within one year	-	-	4,980	-
Between two and five years	-	-	30,753	53,920
In over five years	104,202	104,202	-	-
	<u>104,202</u>	<u>104,202</u>	<u>35,733</u>	<u>53,920</u>

19 Related party transactions

Included in trade creditors is an amount owed to the Lochinvar Corporation of £341,335 (2000 - £422,541) a company which is controlled by W.L Vallett, T.A Vallett and J.W Vallett.

20 Controlling parties

The ultimate controlling parties are W.L Vallett, T.A Vallett and J.W Vallett.