

Company Registration No. 3453820 (England and Wales)

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LOCHINVAR LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2004



THE UNIVERSITY OF CHICAGO

LOCHINVAR LIMITED

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COMPANY INFORMATION

Directors	W.L. Vallett T.A. Vallett J.W. Vallett D J Pepper
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	Wachovia Bank National Association 3 Bishopsgate, London, EC2N 3AB Barclays Bank Plc Banbury Area Branch Banbury Oxon OX16

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LOCHINVAR LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2004

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The directors present their report and accounts for the year ended 31 December 2004.

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 £312,812.

Directors and their interests

The directors at 31 December 2004 and their beneficial interests in the shares of the company were:

Ordinary shares of £ 1 each

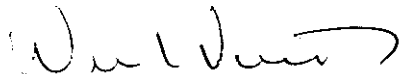
	31 December 2004	1 January 2004
W.L. Vallett	133,334	133,334
T.A. Vallett	133,334	133,334
J.W. Vallett	133,334	133,334
D J Pepper	-	-
R Anderson	-	-

R Anderson resigned as a director on 6 January 2005.

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: 3/8/05

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.

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS**

We have audited the accounts of Lochinvar Limited for the year ended 31 December 2004 set out on pages 4 to 14. These accounts have been prepared under the historical cost convention and the accounting policies set out on page 7.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and 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 2004 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: 16/3/05

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
Turnover	2	4,647,588	4,019,035
Cost of sales		(2,661,246)	(2,264,183)
Gross profit		1,986,342	1,754,852
Administrative expenses		(1,522,333)	(1,410,128)
Operating profit	3	464,009	344,724
Other income	6	3,403	1,678
Interest payable and similar charges	7	(4,877)	(20,666)
Profit on ordinary activities before taxation		462,535	325,736
Tax on profit on ordinary activities	8	(149,723)	(97,928)
Profit on ordinary activities after taxation		312,812	227,808
Retained profit brought forward		1,024,106	796,298
Retained profit carried forward		1,336,918	1,024,106

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

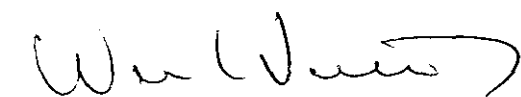
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BALANCE SHEET

AS AT 31 DECEMBER 2004

	Notes	£	2004 £	£	2003 £
Fixed assets					
Intangible assets	9		338,000		364,000
Tangible assets	10		193,807		208,787
			<u>531,807</u>		<u>572,787</u>
Current assets					
Stocks	11	1,186,415		1,071,838	
Debtors	12	877,217		661,108	
Cash at bank and in hand		526,082		190,861	
			<u>2,589,714</u>	<u>1,923,807</u>	
Creditors: amounts falling due within one year	13	(1,377,837)		(1,046,564)	
Net current assets			<u>1,211,877</u>		<u>877,243</u>
Total assets less current liabilities			<u>1,743,684</u>		<u>1,450,030</u>
Creditors: amounts falling due after more than one year	14		(6,764)		(25,922)
			<u>1,736,920</u>		<u>1,424,108</u>
Capital and reserves					
Called up share capital	15		400,002		400,002
Profit and loss account			1,336,918		1,024,106
Shareholders' funds - all equity interests	16		<u>1,736,920</u>		<u>1,424,108</u>

The accounts were approved by the Board on 31/8/05



W.L. Vallett
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
Net cash inflow/(outflow) from operating activities	17	513,466	(89,201)
Returns on investments and servicing of finance			
Interest received	3,403	1,678	
Interest paid	(329)	(17,600)	
Interest element of hire purchase and finance lease rentals	(4,548)	(3,066)	
Net cash outflow from returns on investments and servicing of finance		(1,474)	(18,988)
Corporation tax		(97,928)	(102,665)
Capital expenditure			
Payments to acquire tangible fixed assets	(69,607)	(97,802)	
Receipts from sales of tangible fixed assets	12,600	8,249	
Net cash outflow from capital expenditure		(57,007)	(89,553)
Net cash inflow/(outflow) before financing		357,057	(300,407)
Financing			
Capital element of hire purchase and finance lease rentals	(21,783)	30,115	
Net cash (outflow)/inflow from financing		(21,783)	30,115
Increase/(decrease) in cash	18	335,274	(270,292)

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

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% Straight Line
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 and hire purchase commitments

Assets held under finance leases and hire purchase contracts are treated as if they had been purchased outright at the present value of the rentals payable, less finance charges, over the primary period of the agreements. The corresponding obligations under these agreements are included in creditors. The finance element of the rentals payable is charged to the profit and loss account so as to produce a constant rate of charge on the outstanding balance in each period.

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 tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2004

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.

3 Operating profit

	2004	2003
	£	£
Operating profit is stated after charging:		
Amortisation of intangible fixed assets	26,000	26,000
Depreciation of owned tangible fixed assets	50,391	50,502
Depreciation of tangible fixed assets held under finance leases and hire purchase contracts	21,564	12,824
Operating lease rentals		
- Plant and machinery	44,591	54,857
Auditors' remuneration	9,804	9,184

4 Directors' emoluments

	2004	2003
	£	£
Aggregate emoluments	132,099	122,716
Company contributions to defined contribution pension schemes	7,163	6,628
	<u>139,262</u>	<u>129,344</u>

Retirement benefits are accruing to 2 (2003- 1) directors under defined contribution schemes.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2004

5 Employees

Number of employees

The average monthly number of employees during the year was:

	2004 Number	2003 Number
Selling and administration	28	25

Employment costs

	£	£
Wages and salaries	737,950	670,122
Social security costs	89,757	79,827
Other pension costs	20,416	18,805
	848,123	768,754

6 Other income

	2004 £	2003 £
Interest receivable and similar income	3,403	1,678

7 Interest payable and similar charges

	2004 £	2003 £
Interest payable on:		
Other loans	329	17,600
Finance lease and hire purchase contracts	4,548	3,066
	4,877	20,666

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2004

8	Tax on profit on ordinary activities	2004 £	2004 £	2003 £	2003 £
	Current tax				
	<u>UK corporation tax</u>				
	Current tax on income for the period	141,208		97,928	
	Adjustments in respect of prior periods	8,515		-	
			<u>149,723</u>		<u>97,928</u>
	Factors affecting the tax charge for the year				
	Profit on ordinary activities before taxation		<u>462,535</u>		<u>325,736</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2003: 30.00%)		138,761		97,721
	Effects of:				
	Expenses not deductible for tax purposes		11,320		7,350
	Capital allowances for period in excess of depreciation		5,963		3,527
	Adjustments to tax charge in respect of previous periods		8,515		-
	Other tax adjustments		(14,836)		(10,670)
	Current tax charge		<u>149,723</u>		<u>97,928</u>
9	Intangible fixed assets				
					Goodwill
					£
	Cost				
	At 1 January 2004 and at 31 December 2004				<u>520,000</u>
	Amortisation				
	At 1 January 2004				156,000
	Charge for year				26,000
	At 31 December 2004				<u>182,000</u>
	Net book value				
	At 31 December 2004				<u>338,000</u>
	At 31 December 2003				<u>364,000</u>

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2004

10 Tangible fixed assets

	Computer equipment	Leasehold improve - ments	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 January 2004	82,736	55,690	10,309	80,378	153,265	382,378
Additions	12,843	-	4,432	6,289	46,043	69,607
Disposals	-	-	-	-	(28,744)	(28,744)
At 31 December 2004	95,579	55,690	14,741	86,667	170,564	423,241
Depreciation						
At 1 January 2004	49,576	34,192	6,680	46,694	36,449	173,591
On disposals	-	-	-	-	(16,112)	(16,112)
Charge for the year	21,644	5,374	1,438	8,419	35,080	71,955
At 31 December 2004	71,220	39,566	8,118	55,113	55,417	229,434
Net book value						
At 31 December 2004	24,359	16,124	6,623	31,554	115,147	193,807
At 31 December 2003	33,160	21,498	3,629	33,684	116,816	208,787

Finance leases and hire purchase contracts

The net book value of tangible fixed assets includes an amount of £92,073 (2003 - £78,796) in respect of assets held under finance leases or hire purchase contracts.

11 Stocks

	2004 £	2003 £
Finished goods and goods for resale	1,186,415	1,071,838

12 Debtors

	2004 £	2003 £
Trade debtors	834,235	638,540
Other debtors	16,000	-
Prepayments and accrued income	26,982	22,568
	877,217	661,108

LOCHINVAR LIMITED

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004

13 Creditors: amounts falling due within one year	2004 £	2003 £
Bank overdrafts	-	53
Net obligations under finance lease and hire purchase contracts	25,882	28,507
Trade creditors	952,445	645,010
Corporation tax	149,723	97,928
Other taxes and social security costs	76,591	35,969
Loans from shareholders	-	77,042
Other creditors	329	17,657
Accruals and deferred income	172,867	144,398
	<u>1,377,837</u>	<u>1,046,564</u>

The loans are repayable on demand and carry interest at a rate of 6% per annum.

14 Creditors: amounts falling due after more than one year	2004 £	2003 £
Net obligations under finance leases and hire purchase contracts	<u>6,764</u>	<u>25,922</u>
Net obligations under finance leases and hire purchase contracts		
Repayable between one and five years	-	59,587
	-	59,587
Finance charges and interest allocated to future accounting periods	-	(5,158)
	-	54,429
Included in liabilities falling due within one year	25,882	(28,507)
	<u>25,882</u>	<u>25,922</u>

15 Share capital	2004 £	2003 £
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>

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2004

16 Reconciliation of movements in shareholders' funds	2004	2003
	£	£
Profit for the financial year	312,812	227,808
Opening shareholders' funds	1,424,108	1,196,300
Closing shareholders' funds	1,736,920	1,424,108
17 Net cash inflow/(outflow) from operating activities	2004	2003
	£	£
Reconciliation to operating profit:		
Operating profit	464,009	344,724
Depreciation of tangible fixed assets	71,955	63,326
Amortisation of intangible fixed assets	26,000	26,000
Profit on disposal of tangible fixed assets	32	4,539
Increase in stocks	(114,577)	(224,290)
(Increase)/decrease in debtors	(216,109)	56,982
Increase/(decrease) in creditors	282,156	(360,482)
	513,466	(89,201)
18 Reconciliation of net cash flow to movement in net debt	2004	2003
	£	£
Increase/(decrease) in cash	335,274	(270,292)
Capital element of hire purchase and finance lease rentals	21,783	(30,115)
Movement in net debt	357,057	(300,407)
Net debt at 1 January 2004	136,379	436,786
Net debt at 31 December 2004	493,436	136,379
19 Analysis of net debt	At 1 January 2004	Cash flow At 31 December 2004
	£	£
Cash at bank and in hand	190,861	335,221
Bank overdrafts	(53)	53
		335,274
Hire purchase and finance leases	(54,429)	21,783
		(32,646)
	136,379	357,057
		493,436

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2004

20 Commitments under operating leases

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2004	2003	2004	2003
	£	£	£	£
Expiry date:				
Within one year	-	-	-	17,917
Between two and five years	-	-	-	21,983
In over five years	-	104,202	-	-
	<u>-</u>	<u>104,202</u>	<u>-</u>	<u>39,900</u>
	<u>-</u>	<u>104,202</u>	<u>-</u>	<u>39,900</u>

21 Related party transactions

Included in trade creditors is an amount owed to the Lochinvar Corporation of £780,575 (2003 - £520,241) a company which is controlled by W.L Vallett, T.A Vallett and J.W Vallett. Lochinvar Ltd purchased goods with a value of £1,768,392 (2003: £1,756,060) from Lochinvar Corporation during the year and received no commissions (2003: £18,034) during the year.

22 Controlling parties

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

LOCHINVAR LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	£	2004 £	£	2003 £
Turnover		4,647,588		4,019,035
Cost of sales				
Stocks at 1 January 2004	1,071,838		847,548	
Purchases	2,449,007		2,189,173	
Direct costs	326,816		299,300	
	3,847,661		3,336,021	
Closing stocks	(1,186,415)		(1,071,838)	
		(2,661,246)		(2,264,183)
Gross profit		1,986,342		1,754,852
Administrative expenses		(1,522,333)		(1,410,128)
Operating profit		464,009		344,724
Other income				
Interest receivable	3,403		1,678	
		3,403		1,678
Interest payable				
Loan interest	329		17,600	
Finance lease and hire purchase	4,548		3,066	
		(4,877)		(20,666)
Profit before taxation		462,535		325,736

LOCHINVAR LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	2004	2003
	£	£
Administrative expenses		
Wages and salaries	708,861	639,410
Directors' remuneration	139,262	129,344
Hire of plant	44,591	54,857
Rent	103,710	101,460
Rates	34,445	32,672
Insurance	52,411	44,674
Light and heat	3,841	(2,499)
Repairs and maintenance	21,467	17,736
Postage and stationery	16,254	18,472
Advertising	123,205	103,221
Telephone and fax	23,237	19,427
Motor expenses	37,757	37,822
Travelling expenses	18,202	10,527
Entertaining	20,370	10,875
Accommodation and subsistence	20,554	17,242
Legal and professional	5,716	2,574
Bank charges	9,753	8,946
Bad debts	-	28,374
Foreign exchange difference	(17,931)	(3,285)
Staff recruitment	16,721	27,438
Sundry expenses	32,116	7,792
Audit and accountancy	9,804	9,184
Depreciation of intangible assets	26,000	26,000
Profit/loss on disposal of fixed assets	32	4,539
Depreciation of tangible assets	71,955	63,326
	<u>1,522,333</u>	<u>1,410,128</u>