

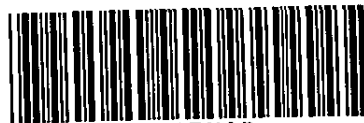
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Company Registration No **3453820** (England and Wales)

CREATIVITY ENTHUSIASM ENERGY VISION

LOCHINVAR LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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COMPANIES HOUSE

LOCHINVAR LIMITED

COMPANY INFORMATION

Directors

D J Pepper
J J Kita
A G Rajendra
J L Stern

Secretary

J L Stern

Company number

3453820

Registered office

One New Change
London
EC4M 9AF

Auditors

H W Fisher & Company
Acre House
11-15 William Road
London
NW1 3LR
United Kingdom

Business address

7 Lombard Way
The MXI Centre
Banbury
Oxon
OX16 4LJ

Bankers

Barclays Bank Plc
Banbury Area Branch
Banbury
Oxon
OX16

LOCHINVAR LIMITED

CONTENTS

	Page
Directors' report	1
Statement of directors' responsibilities	2
Independent auditors' report	3
Profit and loss account	4
Balance sheet	5
Cash flow statement	6
Notes to the financial statements	7 - 16

LOCHINVAR LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

The directors present their report and financial statements for the year ended 31 December 2012

Principal activities and review of the business

The principal activity continues to be that of supplying equipment to the Heating Industry in the UK and Ireland

The company maintained Sales levels within 5% of 2011 results. This represents a solid performance in view of the difficult market conditions and the re-organisation of various key product lines following the acquisition of the company in August 2011. The Renewable Heat Incentive did not provide the expected upsurge to the Renewables market sector, but despite this our Solar business held up well.

The company made a pre-tax profit of £572,420 (2011 - a loss of £490,839) for the year on a turnover of £7,160,854 (2011 - £7,516,204)

At 31 December 2012 the company had net assets of £2,666,756 (2011 - £2,240,412)

We expect market conditions to steadily improve during 2013. Most of the major Design Consultancy companies are reporting good workloads and we should see the benefits of this activity during the second half of the year. The domestic part of the Renewable Heat Incentive is due for launch during June and this is expected to provide a boost to the non-domestic RHI. We are also expecting to launch a number of new product ranges during 2013.

The company continues to purchase goods in Dollars and Euros and we have hedged 80% of our forecasted exposure.

We continue to be active members of our main Trade body ICOM Energy Association.

In the opinion of the Directors there are no performance indicators whose disclosure is necessary for an understanding of the development, performance or position of the business.

Directors

The directors who served during the year were

D J Pepper
J J Kita
A G Rajendra
J B Stern

Disclosure of information to auditors

Each of the directors has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditors are unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditors are aware of such information.

Auditors

The auditors, H W Fisher & Company, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

On behalf of the board


J J Kita

Director

Dated X 4/2/12

LOCHINVAR LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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 MEMBERS OF LOCHINVAR LIMITED

We have audited the financial statements of Lochinvar Limited for the year ended 31 December 2012 set out on pages 4 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 explained more fully in the Directors' Responsibilities Statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Michael Davis (Senior Statutory Auditor)

for and on behalf of H W Fisher & Company

Chartered Accountants

Statutory Auditor

Acre House

11-15 William Road

London

NW1 3J R

United Kingdom

Dated 12 April 2013

LOCHINVAR LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2012

		2012	2011
	Notes	£	£
Turnover	2	7,160,854	7,516,204
Cost of sales		(4,190,736)	(4,558,835)
Gross profit		2,970,118	2,957,369
Administrative expenses		(2,413,106)	(3,456,124)
Operating profit/(loss)	3	557,012	(498,755)
Investment income		15,891	1,847
Other interest receivable and similar income		353	7,216
Interest payable and similar charges	6	(836)	(1,147)
Profit/(loss) on ordinary activities before taxation		572,420	(490,839)
Tax on profit/(loss) on ordinary activities	7	(146,076)	76,264
Profit/(loss) for the year	19	426,344	(414,575)

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 2012**

	Notes	2012 £	£	2011 £	£
Fixed assets					
Tangible assets	10		140,318		200,901
Current assets					
Stocks	11	1,828,731		1,821,524	
Debtors	12	1,356,302		1,358,990	
Cash at bank and in hand		702,062		409,704	
		<u>3,887,095</u>		<u>3,590,218</u>	
Creditors amounts falling due within one year	13	<u>(1,346,426)</u>		<u>(1,525,570)</u>	
Net current assets			<u>2,540,669</u>		<u>2,064,648</u>
Total assets less current liabilities			<u>2,680,987</u>		<u>2,265,549</u>
Creditors amounts falling due after more than one year	14		-		(3,750)
Provisions for liabilities	15		(14,231)		(21,387)
			<u>2,666,756</u>		<u>2,240,412</u>
Capital and reserves					
Called up share capital	18		400,002		400,002
Profit and loss account	19		2,266,754		1,840,410
Shareholders' funds	20		<u>2,666,756</u>		<u>2,240,412</u>

Approved by the Board and authorised for issue on 4/1/13


JJ Kita
Director

LOCHINVAR LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	£	2012 £	£	2011 £
Net cash inflow/(outflow) from operating activities	21		204,879		(257,960)
Returns on investments and servicing of finance					
Interest received		353		7,216	
Interest element of finance lease rentals		(836)		(1,147)	
Other income (cash basis)		15,891		1,847	
Net cash inflow for returns on investments and servicing of finance			15,408		7,916
Taxation			73,110		(107,016)
Capital expenditure					
Payments to acquire tangible fixed assets		(19,919)		(81,916)	
Receipts from sales of tangible fixed assets		23,300		10,083	
Net cash inflow/(outflow) for capital expenditure			3,381		(71,833)
Equity dividends paid			-		(951,000)
Net cash inflow/(outflow) before financing			296,778		(1,379,893)
Financing					
Capital element of finance leases		(4,420)		(4,420)	
Net cash outflow from financing			(4,420)		(4,420)
Increase/(decrease) in cash in the year	23, 22		292,358		(1,384,313)

LOCHINVAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

1.2 Revenue recognition

Turnover represents amounts receivable for goods and services net of V A I and trade discounts

1.3 Goodwill

Acquired goodwill is initially recognised at cost and then amortised over its estimated useful life of 20 years

Where there is an indication that the value of the goodwill may have been impaired, an impairment review is carried out. If the impairment review indicates that the recoverable amount is lower than the current value, the goodwill is written down to the recoverable amount. The remaining recoverable amount is then amortised over the revised useful economic life.

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:

Leasehold property	over the term of the lease
Plant and machinery	25% Reducing balance
Computer equipment	33.3% Straight line
Fixtures, fittings & equipment	25% Reducing balance
Motor vehicles	25% Reducing balance

1.5 Leasing

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 valued 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 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.8 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.

LOCHINVAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

1 Accounting policies (Continued)

1.9 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

Geographical market

	Turnover 2012	2011
	£	£
UK	6,844,770	7,320,648
Rest of world	316,084	195,556
	<u>7,160,854</u>	<u>7,516,204</u>

3 Operating profit/(loss) 2012 2011

	£	£
Operating profit/(loss) is stated after charging:		
Amortisation of intangible fixed assets	-	26,001
Impairment of intangible fixed assets	-	155,996
Depreciation of owned tangible fixed assets	51,231	67,168
Depreciation of tangible fixed assets held under finance leases and hire purchase contracts	1,867	2,490
Loss on disposal of tangible fixed assets	4,104	4,943
Operating lease rentals:		
- Plant and machinery	78,299	73,572
- Other assets	109,412	109,425
Auditors' remuneration (including expenses and benefits in kind)	27,151	18,000
and after crediting:		
Profit on foreign exchange transactions	3,985	15,941
	<u>3,985</u>	<u>15,941</u>

LOCHINVAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

4	Directors' emoluments	2012 £	2011 £
	Emoluments for qualifying services	114,661	466,623
	Company pension contributions to money purchase schemes	5,582	166,216
		<u>120,243</u>	<u>632,839</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2011 - 1)

5 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

	2012 Number	2011 Number
Selling and administration	<u>34</u>	<u>34</u>

Employment costs

	2012 £	2011 £
Wages and salaries	1,237,794	1,876,603
Social security costs	133,304	225,335
Other pension costs	27,376	189,228
	<u>1,398,474</u>	<u>2,291,166</u>

6	Interest payable	2012 £	2011 £
	Lease finance charges	<u>836</u>	<u>1,147</u>

LOCHINVAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

7	Taxation	2012 £	2011 £
	Domestic current year tax		
	U K corporation tax	153,232	-
	Adjustment for prior years	-	(73,111)
	Current tax charge	153,232	(73,111)
	Deferred tax		
	Deferred tax charge	(7,156)	(3,153)
		146,076	(76,264)
	Factors affecting the tax charge for the year		
	Profit/(loss) on ordinary activities before taxation	572,420	(490,839)
	Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 24.50% (2011 - 26.50%)	140,243	(130,072)
	Effects of		
	Non deductible expenses	7,760	59,288
	Depreciation add back	13,009	25,350
	Capital allowances	(7,763)	(19,689)
	Tax losses utilised	-	65,123
	Adjustments to previous periods	-	(73,111)
	Other adjustments	(17)	-
		12,989	56,961
	Current tax charge	153,232	(73,111)
8	Dividends	2012 £	2011 £
	Ordinary interim paid	-	951,000

LOCHINVAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

9 Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2012 & at 31 December 2012	520,000
Amortisation	
At 1 January 2012 & at 31 December 2012	520,000
Net book value	
At 31 December 2012	-
At 31 December 2011	-

10 Tangible fixed assets

	Computer equipment	Leasehold property	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 January 2012	64,410	124,113	42,061	113,793	182,683	527,060
Additions	2,369	-	1,420	3,102	13,028	19,919
Disposals	-	-	-	-	(51,218)	(51,218)
At 31 December 2012	66,779	124,113	43,481	116,895	144,493	495,761
Depreciation						
At 1 January 2012	40,265	99,638	30,258	99,522	56,476	326,159
On disposals	-	-	-	-	(23,814)	(23,814)
Charge for the year	12,695	1,708	3,188	4,079	31,428	53,098
At 31 December 2012	52,960	101,346	33,446	103,601	64,090	355,443
Net book value						
At 31 December 2012	13,819	22,767	10,035	13,294	80,403	140,318
At 31 December 2011	24,145	24,475	11,803	14,271	126,207	200,901

Finance leases and hire purchase contracts

The net book value of tangible fixed assets includes an amount of £5,602 (2011 - £7,469) in respect of assets held under finance leases or hire purchase contracts.

LOCHINVAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

11	Stocks	2012 £	2011 £
	Finished goods and goods for resale	1,828,731	1,821,524
12	Debtors	2012 £	2011 £
	Trade debtors	1,257,952	1,219,206
	Corporation tax	-	73,111
	Other debtors	1,948	5,806
	Prepayments and accrued income	96,402	60,867
		1,356,302	1,358,990
13	Creditors amounts falling due within one year	2012 £	2011 £
	Net obligations under finance leases	3,750	4,420
	Trade creditors	132,897	286,294
	Amounts owed to group undertakings	322,312	314,322
	Corporation tax	153,231	-
	Other taxes and social security costs	170,531	122,287
	Other creditors	3,223	2,867
	Accruals and deferred income	560,482	795,380
		1,346,426	1,525,570

LOCHINVAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

14	Creditors amounts falling due after more than one year	2012 £	2011 £
	Net obligations under finance leases	-	3,750
	Net obligations under finance leases		
	Repayable between one and five years	3,750	9,644
		3,750	9,644
	Finance charges and interest allocated to future accounting periods	-	(1,474)
		3,750	8,170
	Included in liabilities falling due within one year	(3,750)	(4,420)
		-	3,750

15	Provisions for liabilities	Deferred tax liability £
	Balance at 1 January 2012	21,387
	Profit and loss account	(7,156)
	Balance at 31 December 2012	14,231

The deferred tax liability is made up as follows.

Deferred tax is calculated at 23% (2011 - 25%) analysed over the following timing differences

	2012 £	2011 £
Accelerated capital allowances	14,231	21,387

16 Forward foreign exchange contracts

It is company policy to hedge its foreign exchange risk by taking out forward foreign exchange contracts. The fair value of forward exchange contracts, being the market price at the balance sheet date, is £937,038 (2011 £379,440). At 31 December 2012 there was £2,863 of unrecognised net gains (2011 £2,414 net losses) on forward foreign exchange contracts.

LOCHINVAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

17 Pension and other post-retirement benefit commitments

Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund. Included in creditors at the year remained a balance of £1,295 (2011: £2,867) due to the pension scheme.

18 Share capital	2012	2011
	£	£
Allotted, called up and fully paid		
400,002 Ordinary shares of £1 each	400,002	400,002

19 Statement of movements on profit and loss account

Profit and loss account

£

Balance at 1 January 2012	1,840,410
Profit for the year	426,344
Balance at 31 December 2012	2,266,754

20 Reconciliation of movements in shareholders' funds

2012

2011

£

£

Profit/(loss) for the financial year	426,344	(414,575)
Dividends	-	(951,000)
Net addition to/(depletion in) shareholders' funds	426,344	(1,365,575)
Opening shareholders' funds	2,240,412	3,605,987
Closing shareholders' funds	2,666,756	2,240,412

LOCHINVAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

21	Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities	2012	2011		
		£	£		
	Operating profit/(loss)	557,012	(498,755)		
	Depreciation of tangible fixed assets	53,098	69,658		
	Amortisation of intangible fixed assets	-	26,001		
	Impairment of intangible fixed assets	-	155,996		
	Loss on disposal of tangible fixed assets	4,104	4,943		
	Increase in stocks	(7,207)	(131,076)		
	(Increase)/decrease in debtors	(70,423)	120,274		
	Decrease in creditors	(331,705)	(5,001)		
	Net cash inflow/(outflow) from operating activities	204,879	(257,960)		
22	Reconciliation of net cash flow to movement in net funds	2012	2011		
		£	£		
	Increase/(decrease) in cash in the year	292,358	(1,384,313)		
	Finance lease payments	4,420	4,420		
	Movement in net funds/(debt) in the year	296,778	(1,379,893)		
	Opening net funds	401,534	1,781,427		
	Closing net funds	698,312	401,534		
23	Analysis of net funds	1 January 2012	Cash flow	Other non-cash changes	31 December 2012
		£	£	£	£
	Net cash				
	Cash at bank and in hand	409,704	292,358	-	702,062
	Debt				
	Finance leases and hire purchase	(8,170)	4,420	-	(3,750)
	Net funds	401,534	296,778	-	698,312

LOCHINVAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

24 Financial commitments

At 31 December 2012 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2013

	Land and buildings		Other	
	2012	2011	2012	2011
	£	£	£	£
Operating leases which expire				
Within one year	-	-	7,423	273
Between two and five years	-	-	111,739	78,869
In over five years	112,885	112,885	-	-
	<u>112,885</u>	<u>112,885</u>	<u>119,162</u>	<u>79,142</u>

25 Related party transactions

Included in creditors is an amount owed to the Lochinvar Corporation of £240,672 (2011 £290,643) a company which is controlled by A O Smith Corporation, the ultimate parent of Lochinvar Limited. Lochinvar Ltd purchased goods with a value of £1,816,590 (2011 £2,468,847) from Lochinvar Corporation during the year. The company received £nil (2011 £1,847) commission from Lochinvar Corporation.

Included in creditors is an amount owed to A O Smith Water Products Company B V of £80,763 (2011 £nil) a company which is controlled by A O Smith Corporation, the ultimate parent of Lochinvar Limited. Lochinvar Ltd purchased goods with a value of £588,687 (2011 £nil).

Included in creditors is an amount owed to A O Smith Corporation of £877 (2011 £23,679). During the year Lochinvar Ltd was recharged expenses of £5,616 (2011 £23,679) from A O Smith Corporation.

26 Controlling parties

The ultimate controlling party is A O Smith Corporation a company incorporated in the United States of America.