

Company Registration No. 3453820 (England and Wales)

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CREATIVITY ENTHUSIASM ENERGY VISION

LOCHINVAR LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

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LOCHINVAR LIMITED

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 United Kingdom
Auditors	H. W. Fisher & Company Acre House 11-15 William Road London NW1 3ER United Kingdom
Business address	7 Lombard Way The MXL Centre Banbury Oxon OX16 4TJ
Bankers	Barclays Bank Plc Banbury Area Branch Banbury Oxon OX16

LOCHINVAR LIMITED

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LOCHINVAR LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

The directors present their report and financial statements for the year ended 31 December 2009

Principal activities and review of the business

The principal activity of the company continues to be that of supplying equipment to the heating industry in the UK and Ireland.

Difficult economical conditions had some negative effect on the number of 'new build' construction projects during 2009, but replacement business and our involvement in refurbishment projects helped us to complete a good year. Sales of higher efficiency products continued to grow, partially to the detriment of standard efficiency product ranges.

We saw a significant increase in sales of our 'Solar Packages' particularly in the second half of 2009 and our 'partnering' initiative with Rayotec Ltd continues to work well.

The company made a pre-tax profit of £549,291 (2008 - £222,327) for the year on a turnover of £7,246,479 (2008 - £7,284,434)

At 31 December 2009 the company had net assets of £3,435,110 (2008 - £3,156,040)

The principal risks and uncertainties facing the company relate to forthcoming legislation continues to pose potential risks to the business. Our Trade Associations are working with legislators to ensure that future legislation is workable, whilst achieving the goal of reducing carbon emission from buildings. We continued to have a strong presence within our UK Trade body - ICOM Energy Association - with David Pepper in his second and final year as President of this Association.

The company purchases goods in US dollars and Euros and is therefore exposed to movement in the Euro to Sterling and US dollar to Sterling exchanges. The company takes out contracts to manage this risk.

In the opinion of the directors there are no Key Performance Indicators whose disclosure is necessary for an understanding of the development, performance or position of the business.

Dividends

An interim ordinary dividend was paid amounting to £100,000. The directors do not recommend payment of a final dividend.

Directors

The directors who served during the year were

W.L. Vallett
T.A. Vallett
J.W. Vallett
D.J. Pepper

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

A resolution proposing the reappointment of H.W. Fisher & Company as auditors of the company will be put to the members.

On behalf of the board



W.L. Vallett

Director

Dated. 26.04.10

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 2009 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 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.

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 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and

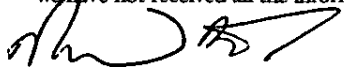
Opinion on other matter prescribed by the Companies Act 2006

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.



M B 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 3ER
United Kingdom

Dated:

05/10

LOCHINVAR LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £	2008 £
Turnover	2	7,246,479	7,284,434
Cost of sales		(3,919,031)	(4,435,002)
Gross profit		3,327,448	2,849,432
Administrative expenses		(2,791,122)	(2,652,045)
Operating profit	3	536,326	197,387
Investment income		10,446	10,957
Other interest receivable and similar income		3,355	15,043
Interest payable and similar charges	6	(836)	(1,060)
Profit on ordinary activities before taxation		549,291	222,327
Tax on profit on ordinary activities	7	(170,221)	(73,485)
Profit for the year	19	379,070	148,842

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 2009**

	Notes	2009 £	£	2008 £	£
Fixed assets					
Intangible assets	9		207,998		233,999
Tangible assets	10		181,290		267,167
			<u>389,288</u>		<u>501,166</u>
Current assets					
Stocks	11	1,989,231		1,666,799	
Debtors	12	1,630,121		1,333,809	
Cash at bank and in hand		1,332,744		1,024,573	
		<u>4,952,096</u>		<u>4,025,181</u>	
Creditors: amounts falling due within one year	13	<u>(1,883,371)</u>		<u>(1,340,524)</u>	
Net current assets			<u>3,068,725</u>		<u>2,684,657</u>
Total assets less current liabilities			<u>3,458,013</u>		<u>3,185,823</u>
Creditors: amounts falling due after more than one year	14		(12,590)		(13,059)
Provisions for liabilities	15		(10,313)		(16,724)
			<u>3,435,110</u>		<u>3,156,040</u>
Capital and reserves					
Called up share capital	18		400,002		400,002
Profit and loss account	19		3,035,108		2,756,038
Shareholders' funds	20		<u>3,435,110</u>		<u>3,156,040</u>

Approved by the Board and authorised for issue on 26.4.10


W.L. Vallett
Director

LOCHINVAR LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	£	2009 £	£	2008 £
Net cash inflow from operating activities	21		468,281		141,849
Returns on investments and servicing of finance					
Interest received		3,355		15,043	
Interest element of finance lease rentals		(836)		(1,060)	
Other income (cash basis)		10,446		10,957	
Net cash inflow for returns on investments and servicing of finance			12,965		24,940
Taxation			(75,761)		(194,534)
Capital expenditure					
Payments to acquire tangible fixed assets		(20,249)		(117,754)	
Receipts from sales of tangible fixed assets		23,404		1,175	
Net cash inflow/(outflow) for capital expenditure			3,155		(116,579)
Equity dividends paid			(100,000)		-
Net cash inflow/(outflow) before financing			308,640		(144,324)
Financing					
Capital element of finance leases		(469)		(7,169)	
Net cash outflow from financing			(469)		(7,169)
Increase/(decrease) in cash in the year	23, 22		308,171		(151,493)

LOCHINVAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1 Accounting policies

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention.

1.2 Revenue recognition

Turnover represents amounts receivable for goods and services net of VAT and trade discounts

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

Leasehold property	over the term of the lease
Plant and machinery	25% Reducing balance
Computer equipment	25% 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.

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.

LOCHINVAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009

2 Turnover

Geographical market

	Turnover 2009 £	2008 £
UK	7,050,864	7,069,508
Rest of world	195,615	214,926
	<u>7,246,479</u>	<u>7,284,434</u>

3 Operating profit

	2009 £	2008 £
Operating profit is stated after charging		
Amortisation of intangible fixed assets	26,001	26,001
Depreciation of owned tangible fixed assets	64,727	77,350
Depreciation of tangible fixed assets held under finance leases and hire purchase contracts	7,514	4,494
Loss on disposal of tangible fixed assets	10,481	2
Loss on foreign exchange transactions	121,314	146,532
Operating lease rentals		
- Plant and machinery	70,509	55,557
- Other assets	112,885	112,885
Auditors' remuneration (including expenses and benefits in kind)	25,000	11,500
	<u></u>	<u></u>

4 Directors' emoluments

	2009 £	2008 £
Emoluments for qualifying services	127,310	116,145
Company pension contributions to money purchase schemes	6,069	5,981
	<u>133,379</u>	<u>122,126</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2008 - 1)

LOCHINVAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009

5 Employees

Number of employees

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

	2009 Number	2008 Number
Selling and administration	37	40

Employment costs

	2009 £	2008 £
Wages and salaries	1,341,499	1,235,139
Social security costs	156,522	132,204
Other pension costs	19,852	18,593
	1,517,873	1,385,936

6 Interest payable

	2009 £	2008 £
Lease finance charges	836	1,060

LOCHINVAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009

7	Taxation	2009 £	2008 £
	Domestic current year tax		
	UK corporation tax	176,632	75,761
	Current tax charge	176,632	75,761
	Deferred tax		
	Deferred tax charge	(6,411)	(2,276)
		170,221	73,485
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	549,291	222,327
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2008 - 28.50%)	153,801	63,363
	Effects of		
	Non deductible expenses	21,387	21,543
	Depreciation add back	20,228	23,326
	Capital allowances	(16,821)	(23,692)
	Marginal rate relief	(1,963)	(8,779)
		22,831	12,398
	Current tax charge	176,632	75,761
8	Dividends	2009 £	2008 £
	Ordinary interim paid	100,000	-

LOCHINVAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009

9 Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2009 & at 31 December 2009	520,000
Amortisation	
At 1 January 2009	286,001
Charge for the year	26,001
At 31 December 2009	312,002
Net book value	
At 31 December 2009	207,998
At 31 December 2008	233,999

10 Tangible fixed assets

	Computer equipment	Leasehold property	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 January 2009	132,855	124,113	39,335	103,918	281,602	681,823
Additions	5,174	-	336	139	14,600	20,249
Disposals	(87,132)	-	-	-	(117,879)	(205,011)
At 31 December 2009	50,897	124,113	39,671	104,057	178,323	497,061
Depreciation						
At 1 January 2009	99,128	77,432	15,817	86,149	136,130	414,656
On disposals	(86,534)	-	-	-	(84,592)	(171,126)
Charge for the year	17,291	7,503	5,897	4,453	37,097	72,241
At 31 December 2009	29,885	84,935	21,714	90,602	88,635	315,771
Net book value						
At 31 December 2009	21,012	39,178	17,957	13,455	89,688	181,290
At 31 December 2008	33,727	46,681	23,518	17,769	145,472	267,167

Finance leases and hire purchase contracts

The net book value of tangible fixed assets includes an amount of £22,543 (2008 - £30,057) in respect of assets held under finance leases or hire purchase contracts

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

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LOCHINVAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009

14	Creditors: amounts falling due after more than one year	2009 £	2008 £
	Net obligations under finance leases	12,590	13,059
	Net obligations under finance leases Repayable between one and five years	20,122	21,430
		20,122	21,430
	Finance charges and interest allocated to future accounting periods	(3,112)	(3,951)
		17,010	17,479
	Included in liabilities falling due within one year	(4,420)	(4,420)
		12,590	13,059

15	Provisions for liabilities	Deferred tax liability £
	Balance at 1 January 2009	16,724
	Profit and loss account	(6,411)
	Balance at 31 December 2009	10,313

The deferred tax liability is made up as follows.

Deferred tax is calculated at 28% (2008 - 29%) analysed over the following timing differences

	2009 £	2008 £
Accelerated capital allowances	10,313	16,724

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 £nil (2008 £730,181). At 31 December 2009 there was £nil of unrecognised net gains (2008 204,166) on forward foreign exchange contracts.

LOCHINVAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009

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.

18 Share capital	2009 £	2008 £
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 2009	2,756,038
Profit for the year	379,070
Dividends paid	(100,000)
Balance at 31 December 2009	3,035,108

20 Reconciliation of movements in shareholders' funds	2009 £	2008 £
Profit for the financial year	379,070	148,842
Dividends	(100,000)	-
Net addition to shareholders' funds	279,070	148,842
Opening shareholders' funds	3,156,040	3,007,198
Closing shareholders' funds	3,435,110	3,156,040

LOCHINVAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009

21	Reconciliation of operating profit to net cash inflow from operating activities	2009 £	2008 £		
	Operating profit	536,326	197,387		
	Depreciation of tangible fixed assets	72,241	81,844		
	Amortisation of intangible fixed assets	26,001	26,001		
	Loss on disposal of tangible fixed assets	10,481	2		
	Increase in stocks	(322,432)	(309,534)		
	Increase in debtors	(296,312)	(81,404)		
	Increase in creditors	441,976	227,553		
	Net cash inflow from operating activities	468,281	141,849		
22	Reconciliation of net cash flow to movement in net funds	2009 £	2008 £		
	Increase/(decrease) in cash in the year	308,171	(151,493)		
	Finance lease payments	469	7,169		
	Change in net debt resulting from cash flows	308,640	(144,324)		
	New finance lease	-	(18,082)		
	Movement in net funds/(debt) in the year	308,640	(162,406)		
	Opening net funds	1,007,094	1,169,500		
	Closing net funds	1,315,734	1,007,094		
23	Analysis of net funds	1 January 2009 £	Cash flow £	Other non-cash changes £	31 December 2009 £
	Net cash:				
	Cash at bank and in hand	1,024,573	308,171	-	1,332,744
	Debt:				
	Finance leases and hire purchase	(17,479)	469	-	(17,010)
	Net funds	1,007,094	308,640	-	1,315,734

LOCHINVAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

24 Financial commitments

At 31 December 2009 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2010

	Land and buildings		Other	
	2009	2008	2009	2008
	£	£	£	£
Operating leases which expire				
Within one year	-	-	3,243	5,447
Between two and five years	-	-	73,013	50,841
In over five years	112,885	112,885	-	-
	<u>112,885</u>	<u>112,885</u>	<u>76,256</u>	<u>56,288</u>

25 Related party transactions

Included in trade creditors is an amount owed to the Lochinvar Corporation of £321,190 (2008 £94,250) a company which is controlled by W.L Vallett, T.A Vallett and J W Vallett. Lochinvar Ltd purchased goods with a value of £2,303,731 (2008 £1,987,092) from Lochinvar Corporation during the year. The company also received commission from Lochinvar Corporation amounting to £6,909 (2008 £10,687)

26 Controlling parties

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