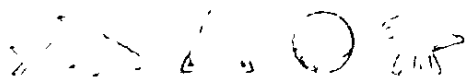


Company Registration No 3453820 (England and Wales)

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CREATIVITY ENTHUSIASM ENERGY VISION

## LOCHINVAR LIMITED

### DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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COMPANIES HOUSE

# LOCHINVAR LIMITED

## COMPANY INFORMATION

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|                          |   |
|--------------------------|---|
| <b>Directors</b>         | W L Vallett<br>F A Vallett<br>J W Vallett<br>D J Pepper   |
| <b>Secretary</b>         | F A Vallett   |
| <b>Company number</b>    | 3453820   |
| <b>Registered office</b> | Acre House<br>11-15 William Road<br>London<br>NW1 3ER   |
| <b>Auditors</b>          | H W Fisher & Company<br>Acre House<br>11-15 William Road<br>London<br>NW1 3ER<br>United Kingdom |
| <b>Business address</b>  | 7 Lombard Way<br>The MXL Centre<br>Banbury<br>Oxon<br>OX16 4TJ                                  |
| <b>Bankers</b>           | Barclays Bank Plc<br>Banbury Area Branch<br>Banbury<br>Oxon<br>OX16                             |

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**LOCHINVAR LIMITED**

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| Independent auditors' report             | 3           |
| Profit and loss account                  | 4           |
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# LOCHINVAR LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2010

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The directors present their report and financial statements for the year ended 31 December 2010

#### 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

Despite a difficult business climate the company managed to achieve a small increase in sales compared to 2009, with much of the business again coming from refurbishment or replacement projects. Sales of high efficiency products continued to grow, in favour of standard efficiency product

During 2010 we expanded our Solar offering and we further significant growth in this aspect of our business

The company made a pre-tax profit of £394,120 (2009 - £549,291) for the year on a turnover of £7,400,922 (2009 - £7,246,479)

At 31 December 2010 the company had net assets of £3,605,987 (2009 - £3,435,110)

There is ongoing uncertainty in terms of forthcoming legislation and our major Trade Association continues to work with legislators to ensure that any legislation is practical and workable. We continue to work closely with our Trade Association - ICOM Energy Association - where David Pepper chairs the UK Commercial Boiler Group and Steve McConnell the Direct fired Water Heater/Commercial Boiler Technical Committee

The company purchases goods in US Dollars and Euro's and is exposed to risk in the movement of both these currencies against Sterling. The company monitors foreign exchange rates on an ongoing basis and takes out contracts to manage the 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 £102,000. 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

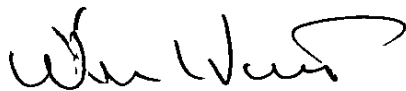
#### Disclosure of information to auditors

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

13.4.11

# **LOCHINVAR LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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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

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We have audited the financial statements of Lochinvar Limited for the year ended 31 December 2010 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.

#### 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 2010 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.

M B Davis (Senior Statutory Auditor)

for and on behalf of H W Fisher & Company

Chartered Accountants

Statutory Auditor

Acre House

11-15 Wilham Road

London

United Kingdom

NW1 3LR

Dated 4 May 2011

# LOCHINVAR LIMITED

## PROFIT AND LOSS ACCOUNT

*FOR THE YEAR ENDED 31 DECEMBER 2010*

|   | Notes | 2010<br>£   | 2009<br>£   |
|---|-------|-------------|-------------|
| Turnover                                      | 2     | 7,400,922   | 7,246,479   |
| Cost of sales                                 |       | (4,509,951) | (3,919,031) |
| Gross profit                                  |       | 2,890,971   | 3,327,448   |
| Administrative expenses                       |       | (2,513,671) | (2,791,122) |
| Operating profit                              | 3     | 377,300     | 536,326     |
| Investment income                             |       | 8,191       | 10,446      |
| Other interest receivable and similar income  |       | 9,465       | 3,355       |
| Interest payable and similar charges          | 6     | (836)       | (836)       |
| Profit on ordinary activities before taxation |       | 394,120     | 549,291     |
| Tax on profit on ordinary activities          | 7     | (121,243)   | (170,221)   |
| Profit for the year                           | 19    | 272,877     | 379,070     |

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

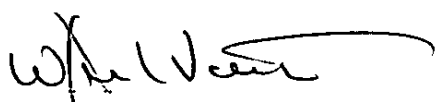
There are no recognised gains and losses other than those passing through the profit and loss account

**LOCHINVAR LIMITED****BALANCE SHEET****AS AT 31 DECEMBER 2010**

|   | Notes | 2010<br>£          | £                | 2009<br>£          | £                |
|---|-------|--------------------|------------------|--------------------|------------------|
| <b>Fixed assets</b>   |       |                    |                  |                    |                  |
| Intangible assets   | 9     |                    | 181,997          |                    | 207,998          |
| Tangible assets   | 10    |                    | 203,669          |                    | 181,290          |
|   |       |                    | <u>385,666</u>   |                    | <u>389,288</u>   |
| <b>Current assets</b>   |       |                    |                  |                    |                  |
| Stocks  | 11    | 1,690,448          |                  | 1,989,231          |                  |
| Debtors   | 12    | 1,406,153          |                  | 1,630,121          |                  |
| Cash at bank and in hand                                      |       | 1,794,017          |                  | 1,332,744          |                  |
|   |       | <u>4,890,618</u>   |                  | <u>4,952,096</u>   |                  |
| <b>Creditors amounts falling due within one year</b>          | 13    | <u>(1,637,587)</u> |                  | <u>(1,883,371)</u> |                  |
| <b>Net current assets</b>                                     |       |                    | <u>3,253,031</u> |                    | <u>3,068,725</u> |
| <b>Total assets less current liabilities</b>                  |       |                    | <u>3,638,697</u> |                    | <u>3,458,013</u> |
| <b>Creditors amounts falling due after more than one year</b> | 14    |                    | (8,170)          |                    | (12,590)         |
| <b>Provisions for liabilities</b>                             | 15    |                    | (24,540)         |                    | (10,313)         |
|   |       |                    | <u>3,605,987</u> |                    | <u>3,435,110</u> |
| <b>Capital and reserves</b>                                   |       |                    |                  |                    |                  |
| Called up share capital                                       | 18    |                    | 400,002          |                    | 400,002          |
| Profit and loss account                                       | 19    |                    | 3,205,985        |                    | 3,035,108        |
| <b>Shareholders' funds</b>                                    | 20    |                    | <u>3,605,987</u> |                    | <u>3,435,110</u> |

Approved by the Board and authorised for issue on

13.4.11

  
W L Vallett  
Director



# LOCHINVAR LIMITED

## CASH FLOW STATEMENT

**FOR THE YEAR ENDED 31 DECEMBER 2010**

|  | Notes         | £         | 2010<br>£        | £        | 2009<br>£        |
|--|---------------|-----------|------------------|----------|------------------|
| <b>Net cash inflow from operating activities</b>                           | <b>21</b>     |           | <b>825,592</b>   |          | <b>468,281</b>   |
| <b>Returns on investments and servicing of finance</b>                     |               |           |                  |          |                  |
| Interest received  |               | 9,465     |                  | 3,355    |                  |
| Interest element of finance lease rentals                                  |               | (836)     |                  | (836)    |                  |
| Other income (cash basis)  |               | 8,191     |                  | 10,446   |                  |
| <b>Net cash inflow for returns on investments and servicing of finance</b> |               |           | <b>16,820</b>    |          | <b>12,965</b>    |
| <b>Taxation</b>  |               |           | <b>(176,632)</b> |          | <b>(75,761)</b>  |
| <b>Capital expenditure</b>   |               |           |                  |          |                  |
| Payments to acquire tangible fixed assets                                  |               | (132,566) |                  | (20,249) |                  |
| Receipts from sales of tangible fixed assets                               |               | 34,479    |                  | 23,404   |                  |
| <b>Net cash (outflow)/inflow for capital expenditure</b>                   |               |           | <b>(98,087)</b>  |          | <b>3,155</b>     |
| <b>Equity dividends paid</b>   |               |           | <b>(102,000)</b> |          | <b>(100,000)</b> |
| <b>Net cash inflow before financing</b>                                    |               |           | <b>465,693</b>   |          | <b>308,640</b>   |
| <b>Financing</b>   |               |           |                  |          |                  |
| Capital element of finance leases  |               | (4,420)   |                  | (469)    |                  |
| <b>Net cash outflow from financing</b>                                     |               |           | <b>(4,420)</b>   |          | <b>(469)</b>     |
| <b>Increase in cash in the year</b>  | <b>23, 22</b> |           | <b>461,273</b>   |          | <b>308,171</b>   |

# LOCHINVAR LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2010

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#### 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             | 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.

##### 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 2010

#### 2 Turnover

##### Geographical market

|               | Turnover<br>2010 | 2009             |
|---------------|------------------|------------------|
|               | £                | £                |
| UK            | 7,164,190        | 7,050,864        |
| Rest of world | 236,732          | 195,615          |
|               | <u>7,400,922</u> | <u>7,246,479</u> |

#### 3 Operating profit

|   | 2010    | 2009    |
|---|---------|---------|
|   | £       | £       |
| Operating profit is stated after charging   |         |         |
| Amortisation of intangible fixed assets   | 26,001  | 26,001  |
| Depreciation of owned tangible fixed assets   | 60,350  | 64,727  |
| Depreciation of tangible fixed assets held under finance leases and hire purchase contracts | 4,285   | 7,514   |
| Loss on disposal of tangible fixed assets   | 11,073  | 10,481  |
| Loss on foreign exchange transactions   | 130,427 | 121,314 |
| Operating lease rentals   |         |         |
| - Plant and machinery   | 67,111  | 70,509  |
| - Other assets  | 112,885 | 112,885 |
| Auditors' remuneration (including expenses and benefits in kind)                            | 15,000  | 25,000  |
|   | <u></u> | <u></u> |

#### 4 Directors' emoluments

|   | 2010           | 2009           |
|---|----------------|----------------|
|   | £              | £              |
| Emoluments for qualifying services                      | 139,613        | 127,310        |
| Company pension contributions to money purchase schemes | 4,731          | 6,069          |
|   | <u>144,344</u> | <u>133,379</u> |

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2009 - 1)

# LOCHINVAR LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2010

#### 5 Employees

##### Number of employees

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

|                            | 2010<br>Number | 2009<br>Number |
|----------------------------|----------------|----------------|
| Selling and administration | 35             | 37             |

##### Employment costs

|                       | 2010<br>£ | 2009<br>£ |
|-----------------------|-----------|-----------|
| Wages and salaries    | 1,246,655 | 1,341,499 |
| Social security costs | 144,232   | 156,522   |
| Other pension costs   | 23,391    | 19,852    |
|                       | 1,414,278 | 1,517,873 |

#### 6 Interest payable

|                       | 2010<br>£ | 2009<br>£ |
|-----------------------|-----------|-----------|
| Lease finance charges | 836       | 836       |

# LOCHINVAR LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2010

| 7 | Taxation  | 2010     | 2009     |
|---|---|----------|----------|
|   |   | £        | £        |
|   | <b>Domestic current year tax</b>  |          |          |
|   | U K corporation tax   | 107,016  | 176,632  |
|   | <b>Current tax charge</b>   | 107,016  | 176,632  |
|   | <b>Deferred tax</b>   |          |          |
|   | Deferred tax charge   | 14,227   | (6,411)  |
|   |   | 121,243  | 170,221  |
|   | <b>Factors affecting the tax charge for the year</b>  |          |          |
|   | Profit on ordinary activities before taxation   | 394,120  | 549,291  |
|   | Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2009 - 28.00%) | 110,354  | 153,801  |
|   | Effects of  |          |          |
|   | Non deductible expenses   | 19,093   | 21,387   |
|   | Depreciation add back   | 18,098   | 20,228   |
|   | Capital allowances  | (34,471) | (16,821) |
|   | Marginal rate relief  | (6,058)  | (1,963)  |
|   |   | (3,338)  | 22,831   |
|   | <b>Current tax charge</b>   | 107,016  | 176,632  |
| 8 | <b>Dividends</b>  | 2010     | 2009     |
|   |   | £        | £        |
|   | Ordinary interim paid   | 102,000  | 100,000  |

# LOCHINVAR LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2010

#### 9 Intangible fixed assets

|   | Goodwill<br>£ |
|---|---------------|
| <b>Cost</b>                             |               |
| At 1 January 2010 & at 31 December 2010 | 520,000       |
| <b>Amortisation</b>                     |               |
| At 1 January 2010                       | 312,002       |
| Charge for the year                     | 26,001        |
| At 31 December 2010                     | 338,003       |
| <b>Net book value</b>                   |               |
| At 31 December 2010                     | 181,997       |
| At 31 December 2009                     | 207,998       |

#### 10 Tangible fixed assets

|                       | Computer<br>equipment | Leasehold<br>property | Plant and<br>machinery | Fixtures,<br>fittings &<br>equipment | Motor<br>vehicles | Total     |
|-----------------------|-----------------------|-----------------------|------------------------|--------------------------------------|-------------------|-----------|
|                       | £                     | £                     | £                      | £                                    | £                 | £         |
| <b>Cost</b>           |                       |                       |                        |                                      |                   |           |
| At 1 January 2010     | 50,897                | 124,113               | 39,671                 | 104,057                              | 178,323           | 497,061   |
| Additions             | 14,101                | -                     | 1,194                  | 4,111                                | 113,160           | 132,566   |
| Disposals             | (20,760)              | -                     | -                      | -                                    | (129,437)         | (150,197) |
| At 31 December 2010   | 44,238                | 124,113               | 40,865                 | 108,168                              | 162,046           | 479,430   |
| <b>Depreciation</b>   |                       |                       |                        |                                      |                   |           |
| At 1 January 2010     | 29,885                | 84,935                | 21,714                 | 90,602                               | 88,635            | 315,771   |
| On disposals          | (20,760)              | -                     | -                      | -                                    | (83,885)          | (104,645) |
| Charge for the year   | 16,902                | 7,503                 | 4,620                  | 4,168                                | 31,442            | 64,635    |
| At 31 December 2010   | 26,027                | 92,438                | 26,334                 | 94,770                               | 36,192            | 275,761   |
| <b>Net book value</b> |                       |                       |                        |                                      |                   |           |
| At 31 December 2010   | 18,211                | 31,675                | 14,531                 | 13,398                               | 125,854           | 203,669   |
| At 31 December 2009   | 21,012                | 39,178                | 17,957                 | 13,455                               | 89,688            | 181,290   |

#### Finance leases and hire purchase contracts

The net book value of tangible fixed assets includes an amount of £9,959 (2009 - £22,543) in respect of assets held under finance leases or hire purchase contracts

**FOR THE YEAR ENDED 31 DECEMBER 2010**

| 13 | Creditors amounts falling due within one year | 2010             | 2009             |
|----|---|------------------|------------------|
|    |   | £                | £                |
|    | Net obligations under finance leases          | 4,420            | 4,420            |
|    | Trade creditors                               | 465,556          | 650,002          |
|    | Corporation tax                               | 107,016          | 176,632          |
|    | Other taxes and social security costs         | 201,395          | 128,462          |
|    | Accruals and deferred income                  | 859,200          | 923,855          |
|    |   | <u>1,637,587</u> | <u>1,883,371</u> |

# LOCHINVAR LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2010

| 14 | Creditors amounts falling due after more than one year              | 2010<br>£ | 2009<br>£ |
|----|---|-----------|-----------|
|    | Net obligations under finance leases                                | 8,170     | 12,590    |
|    | <b>Net obligations under finance leases</b>                         |           |           |
|    | Repayable between one and five years                                | 14,867    | 20,122    |
|    |   | 14,867    | 20,122    |
|    | Finance charges and interest allocated to future accounting periods | (2,277)   | (3,112)   |
|    |   | 12,590    | 17,010    |
|    | Included in liabilities falling due within one year                 | (4,420)   | (4,420)   |
|    |   | 8,170     | 12,590    |

#### 15 Provisions for liabilities

Deferred tax liability  
£

|                             |        |
|-----------------------------|--------|
| Balance at 1 January 2010   | 10,313 |
| Profit and loss account     | 14,227 |
| Balance at 31 December 2010 | 24,540 |

The deferred tax liability is made up as follows

Deferred tax is calculated at 28% (2009 - 28%) analysed over the following timing differences

|                                | 2010<br>£ | 2009<br>£ |
|--------------------------------|-----------|-----------|
| Accelerated capital allowances | 24,540    | 10,313    |

#### 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 £214,225 (2009 £nil). At 31 December 2010 there was £1,774 of unrecognised net gains (2009 £nil) on forward foreign exchange contracts.



# LOCHINVAR LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2010

#### 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                          | 2010<br>£ | 2009<br>£ |
|---|-----------|-----------|
| <b>Allotted, called up and fully paid</b> |           |           |
| 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 2010   | 3,035,108 |
| Profit for the year         | 272,877   |
| Dividends paid              | (102,000) |
| Balance at 31 December 2010 | 3,205,985 |

#### 20 Reconciliation of movements in shareholders' funds

|                                     | 2010<br>£ | 2009<br>£ |
|-------------------------------------|-----------|-----------|
| Profit for the financial year       | 272,877   | 379,070   |
| Dividends                           | (102,000) | (100,000) |
| Net addition to shareholders' funds | 170,877   | 279,070   |
| Opening shareholders' funds         | 3,435,110 | 3,156,040 |
| Closing shareholders' funds         | 3,605,987 | 3,435,110 |

# LOCHINVAR LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2010

|    |   |                |           |                        |                  |
|----|---|----------------|-----------|------------------------|------------------|
| 21 | Reconciliation of operating profit to net cash inflow from operating activities | 2010           | 2009      |                        |                  |
|    |   | £              | £         |                        |                  |
|    | Operating profit  | 377,300        | 536,326   |                        |                  |
|    | Depreciation of tangible fixed assets   | 64,635         | 72,241    |                        |                  |
|    | Amortisation of intangible fixed assets   | 26,001         | 26,001    |                        |                  |
|    | Loss on disposal of tangible fixed assets                                       | 11,073         | 10,481    |                        |                  |
|    | Decrease/(increase) in stocks   | 298,783        | (322,432) |                        |                  |
|    | Decrease/(increase) in debtors  | 223,968        | (296,312) |                        |                  |
|    | (Decrease)/increase in creditors  | (176,168)      | 441,976   |                        |                  |
|    |   |                |           |                        |                  |
|    | Net cash inflow from operating activities                                       | 825,592        | 468,281   |                        |                  |
| 22 | Reconciliation of net cash flow to movement in net funds                        | 2010           | 2009      |                        |                  |
|    |   | £              | £         |                        |                  |
|    | Increase in cash in the year  | 461,273        | 308,171   |                        |                  |
|    | Finance lease payments  | 4,420          | 469       |                        |                  |
|    |   |                |           |                        |                  |
|    | Movement in net funds in the year   | 465,693        | 308,640   |                        |                  |
|    | Opening net funds   | 1,315,734      | 1,007,094 |                        |                  |
|    |   |                |           |                        |                  |
|    | Closing net funds   | 1,781,427      | 1,315,734 |                        |                  |
| 23 | Analysis of net funds   | 1 January 2010 | Cash flow | Other non-cash changes | 31 December 2010 |
|    |   | £              | £         | £                      | £                |
|    | Net cash  |                |           |                        |                  |
|    | Cash at bank and in hand  | 1,332,744      | 461,273   | -                      | 1,794,017        |
|    |   |                |           |                        |                  |
|    | Debt  |                |           |                        |                  |
|    | Finance leases and hire purchase  | (17,010)       | 4,420     | -                      | (12,590)         |
|    |   |                |           |                        |                  |
|    | Net funds   | 1,315,734      | 465,693   | -                      | 1,781,427        |

# LOCHINVAR LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2010

#### 24 Financial commitments

At 31 December 2010 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2011

|                               | Land and buildings |                | Other         |               |
|-------------------------------|--------------------|----------------|---------------|---------------|
|                               | 2010               | 2009           | 2010          | 2009          |
|                               | £                  | £              | £             | £             |
| Operating leases which expire |                    |                |               |               |
| Within one year               | -                  | -              | 12,165        | 3,243         |
| Between two and five years    | -                  | -              | 29,809        | 73,013        |
| In over five years            | 112,885            | 112,885        | -             | -             |
|                               | <u>112,885</u>     | <u>112,885</u> | <u>41,974</u> | <u>76,256</u> |

#### 25 Related party transactions

Included in trade creditors is an amount owed to the Lochinvar Corporation of £289,983 (2009 £321,190) a company which is controlled by W L Vallett, T A Vallett and J W Vallett. Lochinvar Ltd purchased goods with a value of £1,991,313 (2009 £2,303,731) from Lochinvar Corporation during the year. The company also received commission from Lochinvar Corporation amounting to £5,066 (2009 £6,909)

#### 26 Controlling parties

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