

Registrar's Copy

**Lochinvar Limited**

Report and Financial Statements

Year Ended

31 December 2013

Company Number 3453820

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# **Lochinvar Limited**

## **Report and financial statements for the year ended 31 December 2013**

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### **Directors**

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

### **Secretary and registered office**

J F Stern, One New Change, London, EC4M 9AF

### **Company number**

3453820

### **Auditors**

BDO LLP, Kings Wharf, 20-30 Kings Road, Reading, Berkshire, RG1 3EX

# Lochinvar Limited

## Strategic report for the year ended 31 December 2013

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2013.

### Principal activities and review of the business

The principal activity of the business continues to be that of supplying heating and water heating equipment for commercial/industrial buildings. Our route to market is via specification and orders for equipment are placed by specialist distributors or contractors.

2013 was the year when the recession had its biggest negative impact on our sales performance, which was 13% lower than 2012. In previous years we have supplied a lot of equipment for public sector buildings, and although spending cuts started in 2010, with for example, the scrapping of the Building Schools for the Future programme, the effect in 2010 to 2012 was more of a gradual reduction in projects. In 2013 those projects and particularly the larger higher value projects ground to an almost complete halt.

For most of the year the private sector appeared to have little confidence in the economy and there was a marked reduction in new projects in all sectors including some of those which had previously coped well in recession for example Food Retail and Budget Hotels.

The lack of confidence even affected refurbishment and replacement projects, and there is a feeling that many end users had a tendency to repair products rather than replace them with newer more efficient models. Whilst this resulted in lower sales of products our spares sales continued to be healthy, growing by 11%.

At the beginning of 2013 we had a number of new product plans in place, but for various reasons only one of these materialised, with the EcoCharger range being launched in December, which didn't give anytime to have a meaningful impact on 2013 results. The lack of new products created further difficulties for us in very difficult market conditions.

We had expected market conditions to be difficult resulting in challenges on GPM. We had forecast an overall GPM of 38%, so it was positive that GPM held up better than anticipated at 40%. Overheads were again well controlled, showing a reduction of over 4% against 2012.

Our net result was a pre-tax profit of £165,650 which represents a reduction of £406,770 against 2012, but in the face of the difficult market conditions and the delays in launching new products, a pre-tax net profit margin performance of 3% is still a reasonable result.

	2013	2012	% Change
Revenue (£)	6,231,684	7,160,854	(13)
Profit before tax (£)	165,650	572,420	(71)
Profit before tax (%)	3	8	-

# Lochinvar Limited

## Strategic report for the year ended 31 December 2013 (*continued*)

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### Outlook

We have every reason to expect that 2014 will be a better year. There is more confidence in the market and we saw the evidence of this with a stronger end to 2013, where Q4 sales performance was 3% up on Q4, 2012. There are some forthcoming public sector initiatives including the Priority Schools Building Programme, which will give some impetus to a sector which has always been an important one for us. There is also the feeling that the existing stock in many public sector properties is in such a poor state, as a result of the spending cutbacks, that there will be a spate of emergency replacements for those buildings which do not benefit from any of the new initiatives.

Our new product launch programme is back on track and following the launch of EcoCharger in December we expect to add a further 4 new product ranges during 2014, all of which should add to our performance. Our forecast is to grow sales by 23% and whilst this will be challenging, it is achievable considering the new product developments and our other planned initiatives.

### Risks and uncertainties

There are a number of risks specific to the business, which are managed accordingly:

#### *Supply Chain*

Most of the products are supplied via Group but the company conducts frequent review meetings with all major suppliers. Review meetings cover items such as quality, cost, logistics and product development.

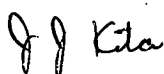
#### *Credit Control*

The company uses the services of credit agencies and regularly reviews the details provided, along with specific customer payment history.

#### *Foreign Exchange*

Some products are purchased in either Dollars or Euro's. The company hedges 80% of anticipated annual exposure.

### On behalf of the board



J J Kita  
Director

JUNE 6, 2014

# **Lochinvar Limited**

## **Report of the directors for the year ended 31 December 2013**

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The directors present their report together with the audited financial statements for the year ended 31 December 2013.

### **Results and dividends**

The profit and loss account is set out on page 7 and shows the profit for the year.

### **Directors**

The directors of the company during the year were:

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

### **Directors' responsibilities**

The directors are responsible for preparing the strategic report, 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

## Report of the directors for the year ended 31 December 2013 (*continued*)

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### Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

### On behalf of the board



J J Kita  
Director

*Dated: June 6, 2014*

# **Lochinvar Limited**

## **Independent auditor's report**

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### **To the members of Lochinvar Limited**

We have audited the financial statements of Lochinvar Limited for the year ended 31 December 2013 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. 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 auditor's 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 statement of directors' responsibilities, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 2013 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 matters prescribed by the Companies Act 2006**

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# Lochinvar Limited

## Independent auditor's report (*continued*)

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### 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.

*BDO LLP*

*Christopher Pooles (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
Reading  
United Kingdom*

*7 JUNE 2014*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



# Lochinvar Limited

## Profit and loss account for the year ended 31 December 2013

	Note	2013 £	2012 £
<b>Turnover</b>	2	<b>6,231,684</b>	7,160,854
Cost of sales		<b>3,756,485</b>	4,190,736
<b>Gross profit</b>		<b>2,475,199</b>	2,970,118
Administrative expenses		<b>2,310,521</b>	2,413,106
<b>Operating profit</b>	3	<b>164,678</b>	557,012
Other income		<b>2,214</b>	15,891
Interest receivable		-	353
Interest payable and similar charges	6	<b>(1,242)</b>	(836)
<b>Profit on ordinary activities before taxation</b>		<b>165,650</b>	572,420
Taxation on profit on ordinary activities	7	<b>37,599</b>	146,076
<b>Profit on ordinary activities after taxation</b>		<b>128,051</b>	426,344

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

The notes on pages 10 to 20 form part of these financial statements.

# Lochinvar Limited

## Balance sheet at 31 December 2013

<i>Company number 3453820</i>	Note	2013 £	2013 £	2012 £	2012 £
<b>Fixed assets</b>					
Tangible assets	9		139,508		140,318
<b>Current assets</b>					
Stocks	10	1,455,445		1,828,731	
Debtors	11	1,250,706		1,356,302	
Cash at bank and in hand		947,726		702,062	
		<u>3,653,877</u>		<u>3,887,095</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>981,734</u>		<u>1,346,426</u>	
<b>Net current assets</b>			<u>2,672,143</u>		<u>2,540,669</u>
<b>Total assets less current liabilities</b>			<u>2,811,651</u>		<u>2,680,987</u>
<b>Provisions for liabilities</b>	13		<u>16,844</u>		<u>14,231</u>
			<u>2,794,807</u>		<u>2,666,756</u>
<b>Capital and reserves</b>					
Called up share capital	16		400,002		400,002
Profit and loss account	17		2,394,805		2,266,754
<b>Shareholders' funds</b>	18		<u>2,794,807</u>		<u>2,666,756</u>

The financial statements were approved by the board of directors and authorised for issue on

*J J Kita*

J J Kita  
Director

*Dated! June 6, 2014*

The notes on pages 10 to 20 form part of these financial statements.

# Lochinvar Limited

## Cashflow statement for the year ended 31 December 2013

	Note	2013 £	2013 £	2012 £	2012 £
<b>Net cash inflow from operating activities</b>	19		<b>473,544</b>		<b>204,879</b>
<b>Returns on investments and servicing of finance</b>					
Interest received		-		353	
Interest paid: lease finance		(1,242)		(836)	
Other income		2,214		15,891	
<b>Net cash inflow from returns on investments and servicing of finance</b>			<b>972</b>		<b>15,408</b>
<b>Taxation</b>					
Corporation tax paid			(187,598)		73,110
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible fixed assets		(54,504)		(19,919)	
Receipts from sales of tangible fixed assets		17,000		23,300	
<b>Net cash (outflow)/inflow from capital expenditure and financial investment</b>			<b>(37,504)</b>		<b>3,381</b>
<b>Cash inflow before use of financing</b>			<b>249,414</b>		<b>296,778</b>
<b>Financing</b>					
Capital element of finance leases repaid			(3,750)		(4,420)
<b>Increase in cash</b>	20		<b>245,664</b>		<b>292,358</b>

The notes on pages 10 to 20 form part of these financial statements.

# Lochinvar Limited

## Notes forming part of the financial statements for the year ended 31 December 2013

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### 1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

The following principal accounting policies have been applied:

#### *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.

#### *Revenue recognition*

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Turnover relating to the sale of goods is recognised when the risks and rewards of ownership have passed to the customer. Turnover relating to maintenance and installation services is recognised once the work has been completed.

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

#### *Stocks*

Stocks are 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 additional costs to completion and disposal.

#### *Foreign currency translation*

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

#### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

# Lochinvar Limited

## Notes forming part of the financial statements for the year ended 31 December 2013 (*continued*)

### 1 Accounting policies (*continued*)

#### *Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

#### *Pension costs*

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

### 2 Turnover

	2013 £	2012 £
Analysis by geographical market:		
United Kingdom	5,983,696	6,844,770
Rest of the world	247,988	316,084
	<hr/>	<hr/>
	6,231,684	7,160,854
	<hr/>	<hr/>

Turnover is wholly attributable to the principal activity of the company.

# Lochinvar Limited

## Notes forming part of the financial statements for the year ended 31 December 2013 (*continued*)

### 3 Operating profit

	2013 £	2012 £
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	38,861	53,098
(Profit)/loss on disposal of tangible fixed assets	(547)	4,104
Hire of plant and machinery - operating leases	126,228	78,299
Hire of other assets - operating leases	109,412	109,412
Exchange differences	7,962	(3,985)
Auditor's remuneration - audit services	18,500	27,151
Auditors' remuneration - non audit services	3,750	-
	<u>          </u>	<u>          </u>

### 4 Employees

Staff costs (including directors) consist of:

	2013 £	2012 £
Wages and salaries	1,185,784	1,237,794
Social security costs	138,638	133,304
Other pension costs	30,876	27,376
	<u>          </u>	<u>          </u>
	1,355,298	1,398,474
	<u>          </u>	<u>          </u>

The average number of employees (including directors) during the year was 32 (2012 - 34).

### 5 Directors' remuneration

	2013 £	2012 £
Directors' emoluments	114,119	114,661
Company contributions to money purchase pension schemes	7,194	5,582
	<u>          </u>	<u>          </u>

There was 1 director in the company's defined contribution pension scheme during the year (2012 - 1).

# Lochinvar Limited

## Notes forming part of the financial statements for the year ended 31 December 2013 (*continued*)

### 6 Interest payable and similar charges

	2013 £	2012 £
Lease finance charges	1,242	836

### 7 Taxation on profit on ordinary activities

	2013 £	2012 £
<i>UK Corporation tax</i>		
Current tax on profits of the year	34,986	153,232
<i>Deferred tax</i>		
Origination and reversal of timing differences	2,613	(7,156)
Taxation on profit on ordinary activities	37,599	146,076

The tax assessed for the year is lower than/higher than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2013 £	2012 £
Profit on ordinary activities before tax	165,650	572,420
Profit on ordinary activities at the standard rate of corporation tax in the UK of 23% (2012 - 25%)	38,508	140,243
Effect of:		
Expenses not deductible for tax purposes	2,616	7,760
Capital allowances in excess of depreciation	(5,915)	-
Depreciation in excess of capital allowances	-	5,246
Other differences	(223)	(17)
Current tax charge for the year	34,986	153,232

# Lochinvar Limited

## Notes forming part of the financial statements for the year ended 31 December 2013 (*continued*)

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### 8 Intangible fixed assets

	Goodwill £
<i>Cost</i>	
At 1 January 2013 and 31 December 2013	520,000
	<hr/>
<i>Amortisation</i>	
At 1 January 2013 and 31 December 2013	520,000
	<hr/>
<i>Net book value</i>	
At 31 December 2012 and 31 December 2013	-
	<hr/> <hr/>



## Lochinvar Limited

Note forming part of the financial statements  
for the year ended 31 December 2013 *(continued)*

### 9 Tangible fixed assets

	Computer Equipment £	Plant and machinery £	Motor vehicles £	Fixtures, fittings & equipment £	Leasehold property £	Total £
<i>Cost</i>						
At 1 January 2013	66,779	43,481	144,493	116,895	124,113	495,761
Additions	39,399	300	14,766	39	-	54,504
Disposals	(18,987)	-	(37,440)	-	-	(56,427)
At 31 December 2013	<b>87,191</b>	<b>43,781</b>	<b>121,819</b>	<b>116,934</b>	<b>124,113</b>	<b>493,838</b>
<i>Depreciation</i>						
At 1 January 2013	52,960	33,446	64,090	103,601	101,346	355,443
Provided for the year	9,763	2,534	21,532	3,324	1,708	38,861
Disposals	(18,987)	-	(20,987)	-	-	(39,974)
At 31 December 2013	<b>43,736</b>	<b>35,980</b>	<b>64,635</b>	<b>106,925</b>	<b>103,054</b>	<b>354,330</b>
<i>Net book value</i>						
At 31 December 2013	<b>43,455</b>	<b>7,801</b>	<b>57,184</b>	<b>10,009</b>	<b>21,059</b>	<b>139,508</b>
At 31 December 2012	13,819	10,035	80,403	13,294	22,767	140,318

# Lochinvar Limited

## Notes forming part of the financial statements for the year ended 31 December 2013 (continued)

### 9 Tangible fixed assets (continued)

The net book value of tangible fixed assets includes an amount of £4,201 (2012 - £5,062) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £1,400 (2012 - £1,867).

### 10 Stocks

	2013 £	2012 £
Finished goods and goods for resale	1,455,445	1,828,731

There is no material difference between the replacement cost of stocks and the amounts stated above.

### 11 Debtors

	2013 £	2012 £
Trade debtors	1,118,712	1,257,952
Other debtors	3,000	1,948
Prepayments and accrued income	128,994	96,402
	<u>1,250,706</u>	<u>1,356,302</u>

All amounts shown under debtors fall due for payment within one year.

### 12 Creditors: amounts falling due within one year

	2013 £	2012 £
Trade creditors	225,747	132,897
Amounts owed to group undertakings	131,372	322,312
Corporation tax	619	153,231
Other taxation and social security	165,582	170,531
Obligations under finance lease and hire purchase contracts	-	3,750
Other creditors	3,097	3,223
Accruals and deferred income	455,317	560,482
	<u>981,734</u>	<u>1,346,426</u>

# Lochinvar Limited

## Notes forming part of the financial statements for the year ended 31 December 2013 (*continued*)

### 13 Provisions for liabilities

	Deferred taxation £
At 1 January 2013	14,231
Charged to profit and loss account	2,613
	<hr/>
At 31 December 2013	<b>16,844</b>
	<hr/>

#### *Deferred taxation*

	2013 £	2012 £
Accelerated capital allowances	<b>16,844</b>	14,231
	<hr/>	<hr/>

### 14 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 £1,382,136 (2012: £937,038). At 31 December 2013 there was £39,909 of unrecognised net losses (2012: £2,863 net gain) on forward foreign exchange contracts.

### 15 Pensions

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 charge amounted to £30,876 (2012 - £27,376). Contributions amounting to £3,097 (2012 - £1,295) were payable to the fund and are included in creditors.

### 16 Share capital

	2013 £	2012 £
<i>Allotted, called up and fully paid</i>		
400,002 Ordinary shares of £1 each	<b>400,002</b>	400,002
	<hr/>	<hr/>

# Lochinvar Limited

## Notes forming part of the financial statements for the year ended 31 December 2013 (*continued*)

### 17 Reserves

	Profit and loss account £
At 1 January 2013	2,266,754
Profit for the year	128,051
	<hr/>
At 31 December 2013	<b>2,394,805</b>
	<hr/>

### 18 Reconciliation of movements in shareholders' funds

	2013 £	2012 £
Profit for the year	128,051	426,344
Opening shareholders' funds	<b>2,666,756</b>	2,240,412
	<hr/>	<hr/>
Closing shareholders' funds	<b>2,794,807</b>	2,666,756
	<hr/>	<hr/>

### 19 Reconciliation of operating profit to net cash inflow from operating activities

	2013 £	2012 £
Operating profit	164,678	557,012
Depreciation of tangible fixed assets	38,861	53,098
(Profit)/loss on sale of tangible fixed assets	(547)	4,104
Decrease/(increase) in stocks	373,286	(7,207)
Decrease/(increase) in debtors	105,596	(70,423)
Decrease in creditors	(208,330)	(331,705)
	<hr/>	<hr/>
Net cash inflow from operating activities	<b>473,544</b>	204,879
	<hr/>	<hr/>

# Lochinvar Limited

## Notes forming part of the financial statements for the year ended 31 December 2013 (*continued*)

### 20 Reconciliation of net cash flow to movement in net funds

	2013 £	2012 £
Increase in cash	245,664	292,358
Cash inflow from changes in debt	3,750	-
	<hr/>	<hr/>
Movement in net funds	249,414	292,358
Opening net funds	698,312	405,954
	<hr/>	<hr/>
Closing net funds	947,726	698,312
	<hr/>	<hr/>

### 21 Analysis of net funds

	At 1 January 2013 £	Cash flow £	At 31 December 2013 £
Cash at bank and in hand	702,062	245,664	947,726
Finance leases	(3,750)	3,750	-
		<hr/>	
		3,750	
	<hr/>	<hr/>	<hr/>
Total	698,312	249,414	947,726
	<hr/>	<hr/>	<hr/>

# Lochinvar Limited

## Notes forming part of the financial statements for the year ended 31 December 2013 (*continued*)

### 22 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2013 £	Other 2013 £	Land and buildings 2012 £	Other 2012 £
Operating leases which expire:				
Within one year	-	-	-	7,423
In two to five years	-	110,878	-	111,739
After five years	115,208	-	112,885	-
	<u>115,208</u>	<u>110,878</u>	<u>112,885</u>	<u>119,162</u>

### 23 Related party disclosures

The company is a wholly owned subsidiary of A O Smith Corporation and has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with A O Smith Corporation or other wholly owned subsidiaries within the group.

During the year the company sold a motor vehicle to D J Pepper, a director, at the market value of £17,000. This amount was fully paid up by the year end.

### 24 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary of A O Smith Corporation which is the ultimate parent company incorporated in the United States of America. Copies of the consolidated financial statements of this company are available to the public and can be obtained from A O Smith Corporation, PO Box 245008, Milwaukee, Wisconsin, 53224, USA.