

Registrar's Copy

Lochinvar Limited

Report and Financial Statements

Year Ended

31 December 2015

Company Number 3453820

THURSDAY



A58A4VO3

A30

02/06/2016

#115

COMPANIES HOUSE

Lochinvar Limited

Company Information

Directors	D J Pepper J J Kita J F Stern D J Warren
Company secretary	J F Stern
Registered number	3453820
Registered office	One New Change London EC4M 9AF
Independent auditors	BDO LLP Kings Wharf 20 - 30 Kings Road Reading Berkshire RG1 3EX

Lochinvar Limited

Contents

	Page
Strategic Report	1 - 2
Directors' Report	3 - 4
Independent Auditors' Report	5 - 6
Statement of Comprehensive Income	7
Balance Sheet	8
Statement of Changes in Equity	9
Notes to the Financial Statements	10 - 22

Lochinvar Limited

Strategic Report For the Year Ended 31 December 2015

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2015.

Principal activities and review of the business

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

We saw some further improvement in new build and major refurbishment activity in the commercial/industrial construction sector, and this helped us to achieve sales growth of 8.2%. Our traditional water heater product sales performed well, and the strategy we put in place to grow the boiler side of our business helped us significantly grow sales in this product group, with most of our growth coming from increased market share.

Sales in our renewable category continue to be challenging; there is a great deal of interest in our technologies but to date it has been difficult to convert this into a high volume of orders.

Despite the competitive market conditions our gross profit margin held up well, and is due to us 'adding value' by providing complete plant room packages, and having another strong year in terms of spare parts sales.

The net result of higher sales and margin provided us with a substantial increase in pre-tax profit.

	2015	2014	Change
Revenue (£)	7,036,330	6,501,086	535,244
Gross profit margin (%)	43	41	2
Profit before tax (£)	266,723	62,321	204,402
Profit before tax (%)	4	1	3

Outlook

We are looking to consolidate our water heater business, but achieve further growth via increased market share with commercial boilers and have a new range to launch in May/June which will assist. One of our major drives in 2016 will be to increase sales of renewable products; we have put a considerable amount of effort into developing this market in previous years, and we believe 2016 will be the year when we make significant progress.

Lochinvar Limited

Strategic Report For the Year Ended 31 December 2015

Risks and uncertainties

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

Supply Chain

Our major suppliers are group-owned companies, but we continue to monitor all suppliers in terms of quality, costs, product development and commercial matters.

Credit Control

We continue to monitor and review such issues very carefully, using the services of a credit agency and also monitoring historical customer data.

Foreign Exchange

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

Approval

This report was approved by the board on 18 MARCH 2016 and signed on its behalf.



J J Kita
Director

Lochinvar Limited

Directors' Report For the Year Ended 31 December 2015

The directors present their report together with the audited financial statements for the year ended 31 December 2015.

Results and dividends

The statement of comprehensive income is set out on page 7 and shows the profit for the year.

Directors

The directors who served during the year were:

D J Pepper
J J Kita
J F Stern
D J Warren

Directors' responsibilities statement

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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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

Directors' Report For the Year Ended 31 December 2015

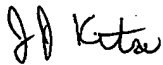
Auditors

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.

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

18 March 2016 and signed on its behalf.



J J Kita
Director

Lochinvar Limited

Independent Auditor's report to the members of Lochinvar Limited

To the members of Lochinvar Limited

We have audited the financial statements of Lochinvar Limited for the year ended 31 December 2015 which comprise the statement of comprehensive income, the balance sheet, the statement of changes of equity 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

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 2015 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 to the members of Lochinvar Limited

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

18/3/16

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

Lochinvar Limited

Statement of Comprehensive Income For the Year Ended 31 December 2015

	Note	2015 £	2014 £
Turnover	3	7,036,330	6,501,086
Cost of sales		(3,993,882)	(3,848,561)
Gross profit		3,042,448	2,652,525
Administrative expenses		(2,779,059)	(2,593,862)
Operating profit	4	263,389	58,663
Interest receivable and similar income		3,313	2,209
Other income		21	1,449
Profit on ordinary activities before taxation		266,723	62,321
Taxation on profit on ordinary activities	7	(56,597)	(16,642)
Profit for the financial year		210,126	45,679
Total comprehensive income for the year		210,126	45,679

All amounts relate to continuing activities.

All recognised gains or losses in the current and prior year are included in the statement of comprehensive income.

The notes on pages 10 to 23 form part of these financial statements

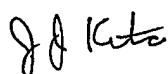
Lochinvar Limited
Registered number:3453820

Balance Sheet
As at 31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Tangible assets	9	162,505	199,729
		<u>162,505</u>	<u>199,729</u>
Current assets			
Stocks	10	1,053,024	1,255,832
Debtors	11	1,304,352	1,412,984
Cash at bank and in hand		1,485,179	939,120
		<u>3,842,555</u>	<u>3,607,936</u>
Creditors: Amounts falling due within one year	12	(933,847)	(939,136)
Net current assets		<u>2,908,708</u>	<u>2,668,800</u>
Total assets less current liabilities		<u>3,071,213</u>	<u>2,868,529</u>
Provisions for liabilities	14	(20,601)	(28,043)
Net assets		<u><u>3,050,612</u></u>	<u><u>2,840,486</u></u>
Capital and reserves			
Called up share capital	16	400,002	400,002
Profit and loss account	17	2,650,610	2,440,484
Shareholder's funds		<u><u>3,050,612</u></u>	<u><u>2,840,486</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

18/3/16



J J Kita
Director

The notes on pages 10 to 22 form part of these financial statements.

Lochinvar Limited

Statement of Changes in Equity As at 31 December 2015

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2015	400,002	2,440,484	2,840,486
Comprehensive income for the year			
Profit for the year	-	210,126	210,126
At 31 December 2015	400,002	2,650,610	3,050,612

Statement of Changes in Equity As at 31 December 2014

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2014	400,002	2,394,805	2,794,807
Comprehensive income for the year			
Profit for the year	-	45,679	45,679
At 31 December 2014	400,002	2,440,484	2,840,486

The notes on pages 10 to 22 form part of these financial statements.

Lochinvar Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

1. Accounting policies

General information

The company is a private limited company incorporated and domiciled in the UK. The address of its registered office is disclosed at the beginning of these financial statements.

Basis of preparation of financial statements

The financial statements have been prepared under the historical costs convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note).

The following principal accounting policies have been applied:

FRS 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 for qualifying entities:

- Section 3 Financial Statement Presentation paragraph 3.17(d) and Section 7 Statement of Cash Flows not to prepare a statement of cash flows;
- Section 4 Statement of Financial Position paragraph 4.12(a)(iv) not to prepare a reconciliation of the number of shares outstanding at the beginning and end of the year; and
- Section 33 Related Party Disclosures paragraph 33.7 not to disclose key management personnel compensation in total.

The company's shareholders have been notified in writing about, and do not object to the use of, the above disclosure exemptions. The company's results are included in the publicly available consolidated financial statements of A O Smith Corporation and can these financial statement may be obtained from PO Box 245008, Milwaukee, Wisconsin, 53224, USA.

Lochinvar Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

1. Accounting policies (continued)

Goodwill

Acquired goodwill is initially recognised at cost and then amortised over its estimated useful life.

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.

Depreciation is provided on the following bases:

Leasehold property	-	over the term of the lease
Plant and machinery	-	25% Reducing balance
Motor vehicles	-	25% Reducing balance
Fixtures, fittings and equipment	-	25% Reducing balance
Computer equipment	-	33% Straight line

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.

Lochinvar Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

1. Accounting policies (continued)

Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans to and from related parties.

Debt instruments, like loans and other accounts receivable and payable, are initially measured at the present value of the future payments and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially and subsequently, at the present value of the future payment discounted at a market rate of interest for a similar debt instrument.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

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 profit and loss.

Lochinvar Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

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.

Operating lease rentals are charged to profit or loss on a straight-line basis over the term of the lease.

Pensions - defined contribution pension plan

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

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 to the Financial Statements For the Year Ended 31 December 2015

2. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements made in applying the entity's accounting policies are as follows:

(i) Leases

Determine whether leases entered into by the company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

(ii) Impairment of intangible and tangible assets

Determine whether there are no indicators of impairment of the company's intangible and tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performances of that unit.

Other key sources of estimation uncertainty:

(i) Tangible fixed assets (see note 9)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

(ii) Stocks (see note 10)

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value. In calculating net realisable value stocks are assessed for impairment. If stock is deemed to be impaired an estimate is made of the value of the impairment and the carrying amount is reduced to selling price less costs to complete and sell..

(iii) Trade debtors impairment loss (see note 11)

Trade debtors are reviewed for impairment loss on an annual basis and provision made for any balances where there is uncertainty against the recoverability of the balance. This methodology is applied on a customer by customer basis.

(iv) Creditors, provisions and liabilities (see notes 12 and 14)

Liabilities are recognised at the balance sheet date and include amounts for warranty provisions based on an estimate of the costs of satisfying any warranty claims. Although these amounts are reviewed on a regular basis and adjusted to reflect management's best current estimates, the judgemental nature of these items means that future amounts settled may be different from those provided.

Lochinvar Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

3. Analysis of turnover

Analysis of turnover by country of destination:

	2015 £	2014 £
United Kingdom	6,742,594	6,127,674
Rest of the world	293,736	373,412
	<u>7,036,330</u>	<u>6,501,086</u>

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

4. Operating profit

The operating profit is stated after charging:

	2015 £	2014 £
Depreciation of tangible fixed assets	39,085	32,829
Loss on disposal of tangible fixed assets	-	3,601
Operating lease payments	184,291	216,716
Exchange differences	10,773	7,066
Auditor's remuneration - audit services	21,600	18,000
Auditors' remuneration - non audit services	6,250	5,100
	<u>261,999</u>	<u>273,312</u>

5. Employees

Staff costs, including directors' remuneration, were as follows:

	2015 £	2014 £
Wages and salaries	1,543,253	1,353,340
Social security costs	168,128	142,018
Cost of defined contribution scheme	40,260	33,355
	<u>1,751,641</u>	<u>1,528,713</u>

The average number of employees (including directors) during the year was 38 (2014 - 33)

Lochinvar Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

6. Directors' remuneration

	2015 £	2014 £
Directors emoluments	123,055	128,147
Company contributions to money purchase pension schemes	10,853	10,550
	<u>133,908</u>	<u>138,697</u>

There was one director in the company's defined contribution pension scheme during the year (2014 - one).

7. Taxation

	2015 £	2014 £
UK Corporation tax		
Current tax on profits for the year	64,249	5,443
Adjustments in respect of prior periods	(210)	-
Total current tax	<u>64,039</u>	<u>5,443</u>
Deferred tax		
Origination and reversal of timing differences	(4,646)	11,199
Adjustments in respect of prior periods	10	-
Effect of tax rate change on opening balance	(2,806)	-
Total deferred tax	<u>(7,442)</u>	<u>11,199</u>
Taxation on profit on ordinary activities	<u>56,597</u>	<u>16,642</u>

Lochinvar Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2014 - higher than) the standard rate of corporation tax in the UK of 20% (2014 - 21%). The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before tax	266,723	62,321
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2014 - 21%)	53,345	13,087
Effects of:		
Fixed asset differences	993	811
Expenses not deductible for tax purposes	4,028	3,483
Marginal relief	-	(210)
Capital allowances in excess of depreciation	-	(12,151)
Other short term timing differences	-	115
Other differences leading to an (decrease)/increase in the tax charge	(1,769)	11,507
Total tax charge for the year	56,597	16,642

Factors that may affect future tax charges

The recent Summer Finance Bill 2015 proposed two changes to the future main stream corporation tax rate. From 1 April 2017 the rate will reduce from 20% to 19% and from 1 April 2020 the rate will reduce further to 18%.

8. Intangible assets

	Goodwill £
Cost	
At 1 January 2015 and 31 December 2015	520,000
Amortisation	
At 1 January 2015 and 31 December 2015	520,000
Net book value	
At 31 December 2014 and 31 December 2015	-

Lochinvar Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

9. Tangible fixed assets

	Computer equipment £	Plant and machinery £	Motor vehicles £	Fixtures, fitting & equipment £	Leasehold property £	Total £
Cost						
At 1 January 2015	97,439	74,492	76,050	120,055	189,285	557,321
Additions	1,261	-	-	-	600	1,861
At 31 December 2015	98,700	74,492	76,050	120,055	189,885	559,182
Depreciation						
At 1 January 2015	56,693	39,000	46,548	110,046	105,305	357,592
Provided for the year	12,093	8,878	7,376	2,503	8,235	39,085
At 31 December 2015	68,786	47,878	53,924	112,549	113,540	396,677
Net book value						
At 31 December 2015	29,914	26,614	22,126	7,506	76,345	162,505
At 31 December 2014	40,746	35,492	29,502	10,009	83,980	199,729

Lochinvar Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

10. Stocks

	2015 £	2014 £
Finished goods and goods for resale	<u>1,053,024</u>	<u>1,255,832</u>

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

11. Debtors

	2015 £	2014 £
Trade debtors	1,217,689	1,235,896
Amounts owed by group undertakings	2,029	-
Corporation tax repayable	-	26,713
Other debtors	-	4,835
Prepayments and accrued income	84,634	145,540
	<u>1,304,352</u>	<u>1,412,984</u>

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

The impairment loss recognised in the company's statement of comprehensive income for the year in respect of bad and doubtful trade debtors was £21,034 (2014: £8,948).

12. Creditors: Amounts falling due within one year

	2015 £	2014 £
Trade creditors	23,827	127,225
Amounts owed to group undertakings	297,591	200,349
Corporation tax	36,749	-
Other taxation and social security	216,470	208,166
Other creditors	747	3,590
Accruals and deferred income	358,463	399,806
	<u>933,847</u>	<u>939,136</u>

Lochinvar Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

13. Financial instruments

	2015 £	2014 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	1,219,718	1,267,444
	<u>1,219,718</u>	<u>1,267,444</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(680,628)	(730,970)
	<u>(680,628)</u>	<u>(730,970)</u>

Financial assets measured at amortised cost comprise of trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise of trade creditors, amounts owed by group undertakings and deferred income.

14. Provisions for liabilities

	Deferred taxation £
At 1 January 2015	28,043
Charged to profit or loss	(7,442)
At 31 December 2015	<u><u>20,601</u></u>

Deferred taxation

The deferred tax provision is made up as follows:

	2015 £	2014 £
Accelerated capital allowances	20,826	28,771
Short term timing differences	(225)	(728)
	<u>20,601</u>	<u>28,043</u>

Factors affecting future deferred tax balances

The recent Summer Finance Bill 2015 proposed two changes to the future main stream corporation tax rate. From 1 April 2017 the rate will reduce from 20% to 19% and from 1 April 2020 the rate will reduce further to 18%. As these changes were substantially enacted, the deferred tax balances have been remeasured to 18% in these accounts.

Lochinvar Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

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 £40,260 (2014 - £33,355). Contributions amounting to £747 (2014 - £3,590) were payable to the fund and are included in creditors.

16. Share capital

	2015 £	2014 £
Allotted, called up and fully paid		
400,002 Ordinary shares shares of £1 each	<u>400,002</u>	<u>400,002</u>

17. Reserves

The profit and loss account represents cumulative profits, losses and total other recognised gains or losses made by the company, including distributions to the parent company.

18. Commitments under operating leases

The company had minimum lease payments under non-cancellable operating leases as set out below:

	2015 £	2014 £
Not later than 1 year	207,689	200,377
Later than 1 year and not later than 5 years	494,688	567,848
Later than 5 years	442,859	547,061
Total	<u>1,145,236</u>	<u>1,315,286</u>

19. 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. A O Smith Corporation is the parent undertaking of the smallest and largest group to consolidate the results of the company. 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.

Lochinvar Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

20. First time adoption of FRS102

This is the first year that the company has prepared its financial statements in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland. The last financial statements prepared in accordance with accounting standards previously applicable in the United Kingdom and the Republic of Ireland were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. There are no changes to previously reported profit or loss and equity between the previous accounting framework and FRS 102.