

Registrar's Copy

**Lochinvar Limited**

Report and Financial Statements

Year Ended

31 December 2016

Company Number 03453820

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# Lochinvar Limited

## Company Information

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<b>Directors</b>	D J Pepper J J Kita J F Stern D J Warren
<b>Company secretary</b>	J F Stern Gravitas Company Secretarial Services Limited
<b>Registered number</b>	03453820
<b>Registered office</b>	One, New Change London EC4M 9AF
<b>Independent auditors</b>	BDO LLP Kings Wharf 20 - 30 Kings Road Reading Berkshire RG1 3EX

# Lochinvar Limited

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**Lochinvar Limited**  
Registered number:03453820

**Statement of Financial Position**  
**As at 31 December 2016**

	Note	2016 £	2016 £	2015 £	2015 £
<b>Fixed assets</b>					
Tangible assets	7		140,777		162,505
			<u>140,777</u>		<u>162,505</u>
<b>Current assets</b>					
Stocks	8	1,159,371		1,053,024	
Debtors: amounts falling due within one year	9	1,532,277		1,304,352	
Cash at bank and in hand		1,869,774		1,485,179	
		<u>4,561,422</u>		<u>3,842,555</u>	
Creditors: amounts falling due within one year	10	(1,246,684)		(933,847)	
<b>Net current assets</b>			<u>3,314,738</u>		<u>2,908,708</u>
<b>Total assets less current liabilities</b>			<u>3,455,515</u>		<u>3,071,213</u>
<b>Provisions for liabilities</b>					
Deferred tax	11	(15,315)		(20,601)	
			<u>(15,315)</u>		<u>(20,601)</u>
<b>Net assets</b>			<u><u>3,440,200</u></u>		<u><u>3,050,612</u></u>
<b>Capital and reserves</b>					
Called up share capital	13	400,002		400,002	
Profit and loss account	14	3,040,198		2,650,610	
		<u>3,440,200</u>		<u>3,050,612</u>	

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

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

June 29, 2017

*J J Kita*

**J J Kita**  
Director

The notes on pages 3 to 11 form part of these financial statements.

# Lochinvar Limited

## Statement of Changes in Equity For the Year Ended 31 December 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2016	400,002	2,650,610	3,050,612
<b>Comprehensive income for the year</b>			
Profit for the year	-	389,588	389,588
<b>At 31 December 2016</b>	<b>400,002</b>	<b>3,040,198</b>	<b>3,440,200</b>

## Statement of Changes in Equity For the Year Ended 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
<b>Comprehensive income for the year</b>			
Profit for the year	-	210,126	210,126
<b>At 31 December 2015</b>	<b>400,002</b>	<b>2,650,610</b>	<b>3,050,612</b>

The notes on pages 3 to 11 form part of these financial statements.

# Lochinvar Limited

## Notes to the Financial Statements For the Year Ended 31 December 2016

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### 1. General information

Lochinvar Limited is a company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page. 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.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK 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 accounting policies (see note 3).

The following principal accounting policies have been applied:

#### 2.2 Revenue

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.

#### 2.3 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.

#### 2.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

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

# Lochinvar Limited

## Notes to the Financial Statements For the Year Ended 31 December 2016

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### 2. Accounting policies (continued)

#### 2.5 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.

#### 2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

#### 2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### 2.8 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 (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, 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 out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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 reporting date.

# **Lochinvar Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2016**

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### **2. Accounting policies (continued)**

#### **2.9 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

#### **2.10 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 statement of financial position date. Any differences are taken to profit or loss.

#### **2.11 Leased assets**

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

#### **2.12 Pensions - defined contribution pension plan**

Contributions to the company's defined contribution pension scheme are charged to statement of comprehensive income in the year in which they become payable.

#### **2.13 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 2016

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### 3. 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. 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.

#### (iii) Stocks (see note 8)

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.

#### (iv) Trade debtors impairment loss (see note 9)

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.

#### (v) Creditors, provisions and liabilities (see notes 10 and 11)

Liabilities are recognised at the statement of financial position date and include amounts for warranty costs 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 2016

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### 4. Employees

The average monthly number of employees, including directors, during the year was 37 (2015 - 38).

### 5. Directors' remuneration

There was 1 director in the company's defined contribution pension scheme during the year (2015 - 1).

### 6. Intangible assets

	Goodwill £
<b>Cost</b>	
At 1 January 2016	520,000
At 31 December 2016	<u>520,000</u>
<b>Amortisation</b>	
At 1 January 2016	520,000
At 31 December 2016	<u>520,000</u>
<b>Net book value</b>	
At 31 December 2016	<u><u>-</u></u>
At 31 December 2015	<u><u>-</u></u>

# Lochinvar Limited

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 7. Tangible fixed assets

	Computer equipment £	Plant and machinery £	Motor vehicles £	Fixtures, fitting & equipment £	Leasehold property £	Total £
<b>Cost</b>						
At 1 January 2016	98,700	74,492	76,050	120,055	189,885	559,182
Additions	-	-	-	1,112	19,879	20,991
Disposals	-	(1,789)	(32,134)	-	-	(33,923)
At 31 December 2016	<u>98,700</u>	<u>72,703</u>	<u>43,916</u>	<u>121,167</u>	<u>209,764</u>	<u>546,250</u>
<b>Depreciation</b>						
At 1 January 2016	68,786	47,878	53,924	112,549	113,540	396,677
Charge for the year	11,513	6,650	4,168	2,051	9,760	34,142
Disposals	-	(1,694)	(23,652)	-	-	(25,346)
At 31 December 2016	<u>80,299</u>	<u>52,834</u>	<u>34,440</u>	<u>114,600</u>	<u>123,300</u>	<u>405,473</u>
<b>Net book value</b>						
At 31 December 2016	<u>18,401</u>	<u>19,869</u>	<u>9,476</u>	<u>6,567</u>	<u>86,464</u>	<u>140,777</u>
At 31 December 2015	<u>29,914</u>	<u>26,614</u>	<u>22,126</u>	<u>7,506</u>	<u>76,345</u>	<u>162,505</u>

### 8. Stocks

	2016 £	2015 £
Finished goods and goods for resale	<u>1,159,371</u>	<u>1,053,024</u>

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

# Lochinvar Limited

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 9. Debtors

	2016 £	2015 £
Trade debtors	1,401,904	1,217,689
Amounts owed by group undertakings	-	2,029
Prepayments and accrued income	130,373	84,634
	<u>1,532,277</u>	<u>1,304,352</u>

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

The impairment loss recognised in the profit or loss for the year in respect of bad and doubtful trade debtors was £5,131 (2015 - £21,034).

### 10. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	165,459	23,827
Amounts owed to group undertakings	394,778	297,591
Corporation tax	52,813	36,749
Other taxation and social security	279,073	216,470
Other creditors	-	747
Accruals and deferred income	354,561	358,463
	<u>1,246,684</u>	<u>933,847</u>

# Lochinvar Limited

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 11. Deferred taxation

	2016 £
At beginning of year	20,601
Credited to profit or loss	(5,286)
<b>At end of year</b>	<b>15,315</b>

The provision for deferred taxation is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	15,377	20,826
Short term timing differences	(62)	(225)
	<b>15,315</b>	<b>20,601</b>

### 12. 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 £47,823 (2015 - £40,260). Contributions amounting to £Nil (2015 - £747) were payable to the fund and are included in creditors.

### 13. Share capital

	2016 £	2015 £
400,002 Ordinary shares shares of £1 each	<b>400,002</b>	400,002

# Lochinvar Limited

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 14. Reserves

The company's reserves are as follows:

#### Called up share capital

The called up share capital represents the nominal value of the shares issued.

#### Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

### 15. Commitments under operating leases

At 31 December 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	201,783	207,689
Later than 1 year and not later than 5 years	455,315	494,688
Later than 5 years	338,657	442,859
	<u>995,755</u>	<u>1,145,236</u>

### 16. 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 State 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 in the public and can be obtained from A O Smith Corporation, PO Box 245008, Milwaukee, 53224, USA.

### 17. Auditors' information

An audit of the company's financial statements was carried out by BDO LLP as statutory auditor who reported to the company's members on 31 December 2016. The auditor's report was signed by Christopher Pooles as senior statutory auditor and was unqualified.