

## **Lochinvar Limited**

**Directors' Report and Financial Statements**

**Year Ended**

**31 December 2019**

**Company Number 03453820**

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# **Lochinvar Limited**

## **Company Information**

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**Directors**

J F Stern  
H H H Meelen  
T J G M Van Der Hamsvoort  
C T Lauber

**Company secretary**

J F Stern  
Gravitas Company Secretarial Services Limited

**Registered number**

03453820

**Registered office**

One, New Change  
London  
EC4M 9AF

**Independent auditor**

BDO LLP  
Thames Tower  
Station Road  
Reading  
Berkshire  
RG1 1LX

# **Lochinvar Limited**

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# **Lochinvar Limited**

## **Directors' Report For the Year Ended 31 December 2019**

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The directors present their report together with the audited financial statements for the year ended 31 December 2019.

### **Principal activity**

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.

### **Results and dividends**

The profit for the year, after taxation, amounted to £1,209,192 (2018 - £651,054).

The company paid an interim dividend of £1,250,000 for the year (2018 - £1,200,000).

The directors believe that the company is well placed to cope with any potential disruption should the UK fail to negotiate a free trade deal with the EU as the majority of purchases are from inter-group companies. As a precaution, inventory levels have been increased for all products, so the directors are comfortable that current equipment availability will be maintained throughout the transition period.

The directors also believe that the imposition of import duties on its European purchases will only have a negligible effect on its competitive position, as the vast majority of competitive manufacturers and distributors import badged finished products and/or major componentry from European suppliers.

### **Qualifying third party indemnity provisions**

The company has indemnified the directors of the company against liability in respect of proceedings brought about by third parties, subject to conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision was in force throughout the period and at the date of signing of these accounts.

### **Going concern**

In preparing the financial statements, the directors have considered the ability of the company to continue as a going concern and have prepared cash flow forecasts to inform their decisions. At the date of approval of these financial statements, the world is in the midst of the Covid-19 global pandemic with some countries only now starting to release lockdown measures introduced to contain the spread of the virus. The extent of the impact on the global economy is uncertain but there is an expectation of recessions in economies across the globe. The impact of Covid-19 and any subsequent recession on the company's business is uncertain.

Services provided by the company are classified as essential by the UK government as they provide hot water systems to hospitals and care homes. Therefore the company has been able to continue to trade throughout the lockdown period. The directors expect this to continue during any future restrictions. The key risk to the business is its ability to operate under government health and safety guidelines. To date all necessary measures have been put in place to ensure the safe guarding of staff with minimal disruption to the operation. Using the above information management have prepared cash flow forecasts identifying all contractual cash commitments for the next twelve months and compared this to current cash holdings. For the reasons discussed above and based on stress tests performed, the directors believe that it remains appropriate to prepare the financial statements on the going concern basis.

### **Directors**

The directors who served during the year were:

J F Stern  
H H H Meelen  
T J G M Van Der Hamsvoort  
C T Lauber (appointed 1 May 2019)

## Lochinvar Limited

### Directors' Report (continued) For the Year Ended 31 December 2019

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#### Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

#### Auditor

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

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on *December 1, 2020* and signed on its behalf.



**C T Lauber**  
Director

# **Lochinvar Limited**

## **Directors' Responsibilities Statement For the Year Ended 31 December 2019**

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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 Auditor's Report to the Members of Lochinvar Limited**

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### **Opinion**

We have audited the financial statements of Lochinvar Limited ("the Company") for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 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.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

# **Lochinvar Limited**

## **Independent Auditor's Report to the Members of Lochinvar Limited (continued)**

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### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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; or
- The Directors were not entitled to take advantage of the small companies' exemptions from the requirement to prepare a Strategic report.



# **Lochinvar Limited**

## **Independent Auditor's Report to the Members of Lochinvar Limited (continued)**

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### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

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.

**Christopher Pooles** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Reading, UK

Date:

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 2019

	Note	2019 £	2018 £
Turnover	4	12,372,255	9,667,720
Cost of sales		(7,233,795)	(5,629,152)
<b>Gross profit</b>		<b>5,138,460</b>	<b>4,038,568</b>
Administrative expenses		(3,637,385)	(3,216,727)
<b>Operating profit</b>	5	<b>1,501,075</b>	<b>821,841</b>
Interest receivable and similar income		-	65
<b>Profit before tax</b>		<b>1,501,075</b>	<b>821,906</b>
Tax on profit	8	(291,883)	(170,852)
<b>Profit and total comprehensive income for the financial year</b>		<b>1,209,192</b>	<b>651,054</b>

The results stated above are derived from continuing activities.

The notes on pages 10 to 21 form part of these financial statements.


**Lochinvar Limited**  
Registered number:03453820

**Statement of Financial Position**  
**As at 31 December 2019**

	Note	2019 £	2019 £	2018 £	2018 £
<b>Fixed assets</b>					
Tangible assets	10		112,719		133,888
			<u>112,719</u>		<u>133,888</u>
<b>Current assets</b>					
Stocks	11	1,768,760		1,649,023	
Debtors: amounts falling due within one year	12	2,370,455		2,089,834	
Cash at bank and in hand		1,869,211		1,421,019	
		<u>6,008,426</u>		<u>5,159,876</u>	
Creditors: amounts falling due within one year	13	(2,770,685)		(1,899,911)	
<b>Net current assets</b>			<u>3,237,741</u>		<u>3,259,965</u>
<b>Total assets less current liabilities</b>			<u>3,350,460</u>		<u>3,393,853</u>
<b>Provisions for liabilities</b>					
Deferred tax	14		(15,240)		(17,825)
<b>Net assets</b>			<u><u>3,335,220</u></u>		<u><u>3,376,028</u></u>
<b>Capital and reserves</b>					
Called up share capital	16		400,002		400,002
Profit and loss account	17		2,935,218		2,976,026
<b>Total equity</b>			<u><u>3,335,220</u></u>		<u><u>3,376,028</u></u>

The company's financial statements have been prepared in accordance with the 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

  
C T Lauher  
Director

The notes on pages 10 to 21 form part of these financial statements.

## Lochinvar Limited

### Statement of Changes in Equity For the Year Ended 31 December 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	400,002	2,976,026	3,376,028
<b>Comprehensive income for the year</b>			
Profit for the year	-	1,209,192	1,209,192
<b>Total comprehensive income for the year</b>	-	1,209,192	1,209,192
Dividends: equity capital	-	(1,250,000)	(1,250,000)
<b>Total transactions with owners</b>	-	(1,250,000)	(1,250,000)
<b>At 31 December 2019</b>	<b>400,002</b>	<b>2,935,218</b>	<b>3,335,220</b>

### Statement of Changes in Equity For the Year Ended 31 December 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018	400,002	3,524,972	3,924,974
<b>Comprehensive income for the year</b>			
Profit for the year	-	651,054	651,054
<b>Total comprehensive income for the year</b>	-	651,054	651,054
Dividends: Equity capital	-	(1,200,000)	(1,200,000)
<b>Total transactions with owners</b>	-	(1,200,000)	(1,200,000)
<b>At 31 December 2018</b>	<b>400,002</b>	<b>2,976,026</b>	<b>3,376,028</b>

The notes on pages 10 to 21 form part of these financial statements.

# Lochinvar Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

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### 1. General information

Lochinvar Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activity is set out in the directors' report.

### 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 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 presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

#### 2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of A O Smith Corporation as at 31 December 2019 and these financial statements may be obtained from PO Box 245008, Milwaukee, Wisconsin, 53224, USA.

# Lochinvar Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

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### 2. Accounting policies (continued)

#### 2.3 Going concern

In preparing the financial statements, the directors have considered the ability of the company to continue as a going concern and have prepared cash flow forecasts to inform their decisions. At the date of approval of these financial statements, the world is in the midst of the Covid-19 global pandemic with some countries only now starting to release lockdown measures introduced to contain the spread of the virus. The extent of the impact on the global economy is uncertain but there is an expectation of recessions in economies across the globe. The impact of Covid-19 and any subsequent recession on the company's business is uncertain.

Services provided by the company are classified as essential by the UK government as they provide hot water systems to hospitals and care homes. Therefore the company has been able to continue to trade throughout the lock down period. The directors expect this to continue during any future restrictions. The key risk to the business is its ability to operate under government health and safety guidelines. To date all necessary measures have been put in place to ensure the safe guarding of staff with minimal disruption to the operation. Using the above information management have prepared cash flow forecasts identifying all contractual cash commitments for the next twelve months and compared this to current cash holdings. For the reasons discussed above and based on stress tests performed, the directors believe that it remains appropriate to prepare the financial statements on the going concern basis.

#### 2.4 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.

#### 2.5 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

#### 2.6 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.

#### 2.7 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.

# **Lochinvar Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2019**

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

#### **2.8 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.

#### **2.9 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.

#### **2.10 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.

#### **2.11 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.

# Lochinvar Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

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### 2. Accounting policies (continued)

#### 2.12 Operating leases: the company as a lessee

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the term of the lease.

#### 2.13 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.

#### 2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

#### 2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.



# **Lochinvar Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2019**

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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 tangible assets**

Determine whether there are no indicators of impairment of the company's 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 11)**

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 12)**

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 note 13)**

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 2019

### 4. Turnover

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	12,001,292	9,305,151
Rest of the world	370,963	362,569
	<u>12,372,255</u>	<u>9,667,720</u>

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

### 5. Operating profit

The operating profit is stated after charging/(crediting):

	2019 £	2018 £
Depreciation of tangible fixed assets	28,068	32,051
Exchange differences	(6,602)	(3,794)
Other operating lease rentals	160,035	207,105
Auditor's remuneration - audit services	24,500	23,000
Auditor's remuneration - non audit services	7,950	2,950
	<u>213,951</u>	<u>261,312</u>

### 6. Employees

The average monthly number of employees, including directors, during the year was 39 (2018 - 37).

Staff costs were as follows:

	2019 £	2018 £
Wages and salaries	2,025,265	1,754,110
Social security costs	214,290	184,240
Pension costs	65,024	47,165
	<u>2,304,579</u>	<u>1,985,515</u>

# Lochinvar Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 7. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	-	87,876
Company contributions to defined contribution pension schemes	-	6,657
	<u>-</u>	<u>94,533</u>

The directors are employees of other companies within the AO Smith group and receive remuneration in these companies.

There were no directors in the company's defined contribution pension scheme during the year (2018 - 1).

### 8. Taxation

	2019 £	2018 £
<b>Corporation tax</b>		
Current tax on profits for the year	296,015	167,425
Adjustments in respect of previous periods	(1,547)	1,085
<b>Total current tax</b>	<u>294,468</u>	<u>168,510</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(2,670)	2,343
Adjustments in respect of prior periods	85	(1)
<b>Total deferred tax</b>	<u>(2,585)</u>	<u>2,342</u>
<b>Taxation on profit on ordinary activities</b>	<u>291,883</u>	<u>170,852</u>

# Lochinvar Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 8. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>1,501,075</u>	<u>821,906</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	285,204	156,162
Effects of:		
Fixed asset differences	633	750
Expenses not deductible for tax purposes	7,194	4,502
Adjustments to tax charge in respect of prior period	(1,547)	8,629
Adjustments to tax charge in respect of prior period - deferred tax	85	-
Adjust closing deferred tax to average rate of 19%	(1,793)	-
Adjust opening deferred tax to average rate of 19%	2,107	-
Other differences leading to movement in the tax charge	-	809
<b>Total tax charge for the year</b>	<u><b>291,883</b></u>	<u><b>170,852</b></u>

#### Factors that may affect future tax charges

Reductions in the UK Corporation tax rate from 20% to 17% (19% effective from 1 April 2017 and 17% effective from 1 April 2020) have been substantively enacted. This will impact the company's future tax charge accordingly. The deferred tax liability at 31 December 2019 has been calculated based on the rates substantively enacted at the date of the statement of financial position.

### 9. Dividends

	2019 £	2018 £
Dividends	<u>1,250,000</u>	<u>1,200,000</u>

There was an interim dividend paid of £3.125 per share (2018 - £3)

# Lochinvar Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 10. Tangible fixed assets

	Computer equipment £	Plant and machinery £	Motor vehicles £	Fixtures, fitting & equipment £	Leasehold property £	Total £
<b>Cost</b>						
At 1 January 2019	98,700	131,455	43,916	121,167	209,764	605,002
Additions	1,900	5,779	-	-	-	7,679
Disposals	-	(3,176)	-	-	-	(3,176)
At 31 December 2019	<u>100,600</u>	<u>134,058</u>	<u>43,916</u>	<u>121,167</u>	<u>209,764</u>	<u>609,505</u>
<b>Depreciation</b>						
At 1 January 2019	98,060	72,705	38,586	117,472	144,291	471,114
Charge for the year	640	14,675	1,333	924	10,496	28,068
Disposals	-	(2,396)	-	-	-	(2,396)
At 31 December 2019	<u>98,700</u>	<u>84,984</u>	<u>39,919</u>	<u>118,396</u>	<u>154,787</u>	<u>496,786</u>
<b>Net book value</b>						
At 31 December 2019	<u>1,900</u>	<u>49,074</u>	<u>3,997</u>	<u>2,771</u>	<u>54,977</u>	<u>112,719</u>
At 31 December 2018	<u>640</u>	<u>58,750</u>	<u>5,330</u>	<u>3,695</u>	<u>65,473</u>	<u>133,888</u>

### 11. Stocks

	2019 £	2018 £
Finished goods and goods for resale	<u>1,768,760</u>	<u>1,649,023</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 2019

### 12. Debtors: amounts falling due within one year

	2019 £	2018 £
Trade debtors	2,265,123	1,971,808
Other debtors	1,000	-
Prepayments and accrued income	104,332	118,026
	<u>2,370,455</u>	<u>2,089,834</u>

The impairment loss credit recognised in the profit for the year in respect of bad and doubtful trade debtors was £17,228 (2018 - charge of £30,000).

### 13. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	335,151	274,264
Amounts owed to group undertakings	1,304,350	813,468
Corporation tax	210,212	89,874
Taxation and social security	488,507	422,020
Accruals and deferred income	432,465	300,285
	<u>2,770,685</u>	<u>1,899,911</u>

# Lochinvar Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 14. Deferred taxation

	2019 £
At beginning of year	17,825
Charged to profit or loss	(2,585)
<b>At end of year</b>	<b>15,240</b>

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	15,240	18,054
Short term timing differences	-	(229)
	<b>15,240</b>	<b>17,825</b>

### 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 £65,024 (2018 - £47,165). Contributions amounting to £Nil (2018 - £Nil) were payable to the fund and are included in creditors.

### 16. Share capital

	2019 £	2018 £
400,002 ordinary shares of £1 each	400,002	400,002

### 17. Reserves

The company's capital and 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.

# Lochinvar Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 18. Commitments under operating leases

At 31 December 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	158,035	159,139
Later than 1 year and not later than 5 years	487,748	502,679
Later than 5 years	37,628	150,513
	<u>683,411</u>	<u>812,331</u>

### 19. Related party transactions

The company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

### 20. Subsequent events

Subsequent to the statement of financial position date, on 11 March 2020, the World Health Organisation declared Covid-19 a global pandemic and on 23 March 2020, the UK Government imposed a stay-at-home lockdown. The Government's response to the pandemic for the business environment has been rapid and wide ranging, with various loan schemes, deferred tax payments and assistance with retaining employees through the furlough schemes. The impact of these restrictions on the company and the going concern assessment has been considered above in the directors' report and in note 2.3. No further adjustments are deemed necessary in respect of this matter.

### 21. 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.