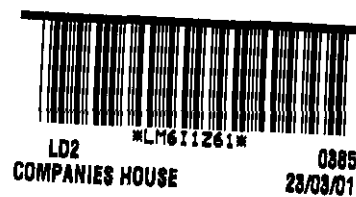


L883

Company Registration No. 3453820 (England and Wales)

REGISTRAR'S COPY: Please return to H. W. FISHER & CO.

**LOCHINVAR LIMITED**  
**DIRECTORS' REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2000**



# LOCHINVAR LIMITED

## COMPANY INFORMATION

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**Directors**

W.L. Vallett  
T.A. Vallett  
J.W. Vallett  
M Glass

**Secretary**

T.A. Vallett

**Company number**

3453820

**Registered office**

Acre House  
11-15 William Road  
London  
NW1 3ER

**Business address**

7 Lombard Way  
The MXL Centre  
Banbury  
Oxon  
OX16 4TJ

**Auditors**

H.W. Fisher & Company  
Acre House  
11-15 William Road  
London  
NW1 3ER

**Bankers**

First Union National Bank  
3 Bishopgate  
London  
EC2N 3AB

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# LOCHINVAR LIMITED

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# LOCHINVAR LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2000

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The directors present their report and accounts for the year ended 31 December 2000.

### Principal activities

The principal activity of the company continues to be that of supplying equipment to the heating industry.

### Results and dividends

The profit for the year after taxation amounted to £203,297.

### Directors and their interests

The directors at 31 December 2000 and their beneficial interests in the shares of the company were:

	Ordinary shares of £1 each	
	31 December 2000	1 January 2000
W.L. Vallett	133,334	133,334
T.A. Vallett	133,334	133,334
J.W. Vallett	133,334	133,334
M Glass	-	-

### Auditors

A resolution proposing the reappointment of H.W. Fisher & Company as auditors will be put to the members at the next Annual General Meeting.

On behalf of the Board



W.L. Vallett

Director

Dated: 3/14/01

# LOCHINVAR LIMITED

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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Company law requires the directors to prepare accounts for each financial year which 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 those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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

## AUDITORS' REPORT TO THE SHAREHOLDERS

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We have audited the accounts on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

### **Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

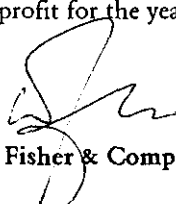
### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

### **Opinion**

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



H.W. Fisher & Company

Chartered Accountants

Registered Auditor

Acre House

11-15 William Road

London

NW1 3ER

Dated: 19/3/01

# LOCHINVAR LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes	2000 £	1999 £
Turnover	2	2,919,588	3,164,513
Cost of sales		(1,557,589)	(1,865,551)
Gross profit		1,361,999	1,298,962
Administrative expenses		(1,049,396)	(935,648)
Operating profit	3	312,603	363,314
Other income	5	3,872	2,054
Interest payable and similar charges	6	(16,094)	(47,126)
Profit on ordinary activities before taxation		300,381	318,242
Tax on profit on ordinary activities	7	(97,084)	(85,524)
Profit on ordinary activities after taxation		203,297	232,718
Retained profit brought forward		274,416	41,698
Retained profit carried forward		477,713	274,416

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

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

# LOCHINVAR LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2000

	Notes	2000 £	£	1999 £	£
<b>Fixed assets</b>					
Intangible assets	8		442,000		468,000
Tangible assets	9		124,698		87,742
			<u>566,698</u>		<u>555,742</u>
<b>Current assets</b>					
Stocks	10	785,409		664,896	
Debtors	11	482,109		581,008	
Cash at bank and in hand		302,699		375,277	
			<u>1,570,217</u>	<u>1,621,181</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(1,259,200)</u>		<u>(1,502,505)</u>	
<b>Net current assets</b>			<u>311,017</u>		<u>118,676</u>
<b>Total assets less current liabilities</b>			<u><u>877,715</u></u>		<u><u>674,418</u></u>
<b>Capital and reserves</b>					
Called up share capital	14		400,002		400,002
Profit and loss account			477,713		274,416
<b>Shareholders' funds - all equity interests</b>	15		<u><u>877,715</u></u>		<u><u>674,418</u></u>

The accounts were approved by the Board on 3/14/01



W.L. Vallett  
Director



# LOCHINVAR LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes	2000 £	1999 £
Net cash inflow/(outflow) from operating activities	16	94,846	(292,660)
Returns on investments and servicing of finance			
Interest received		3,872	2,054
Interest paid		(16,094)	(47,126)
Net cash outflow from returns on investments and servicing of finance		(12,222)	(45,072)
Corporation tax		(91,657)	(16,546)
Capital expenditure			
Payments to acquire tangible fixed assets		(94,951)	(19,624)
Receipts from sales of tangible fixed assets		33,326	13,627
Net cash outflow from capital expenditure		(61,625)	(5,997)
Net cash outflow before financing		(70,658)	(360,274)
Financing			
Issue of ordinary share capital		-	399,999
Capital element of hire purchase and finance lease rentals		(1,920)	1,920
Net cash (outflow)/inflow from financing		(1,920)	401,919
(Decrease)/increase in cash	17	(72,578)	41,645

# LOCHINVAR LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

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### 1 Accounting policies

#### 1.1 Basis of preparation

The accounts have been prepared under the historical cost convention.

#### 1.2 Turnover

Turnover represents the invoiced value of goods sold and services provided net of VAT.

#### 1.3 Goodwill

Acquired goodwill is amortised over a period of 20 years.

#### 1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

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

#### 1.5 Leasing

Rental payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

#### 1.6 Stock

Stock is stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing the stocks to their present location and condition.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

#### 1.7 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

#### 1.8 Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All differences are taken to profit and loss account.

### 2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

# LOCHINVAR LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

<b>3</b>	<b>Operating profit</b>	<b>2000</b>	<b>1999</b>
		£	£
	Operating profit is stated after charging:		
	Amortisation of intangible fixed assets	26,000	24,000
	Depreciation of owned tangible fixed assets	26,498	28,437
	Depreciation of tangible fixed assets held under finance leases and hire purchase contracts	780	1,536
	Operating lease rentals		
	- Plant and machinery	53,920	54,053
	Auditors' remuneration	7,520	7,520
		<u>          </u>	<u>          </u>
<b>4</b>	<b>Employees</b>		
	<b>Number of employees</b>		
	The average monthly number of employees during the year was:		
		<b>2000</b>	<b>1999</b>
		<b>Number</b>	<b>Number</b>
	Selling and administration	19	19
		<u>          </u>	<u>          </u>
	<b>Employment costs</b>		
		£	£
	Wages and salaries	455,537	488,152
	Social security costs	51,613	44,673
	Other pension costs	10,890	11,877
		<u>          </u>	<u>          </u>
		518,040	544,702
		<u>          </u>	<u>          </u>
<b>5</b>	<b>Other income</b>	<b>2000</b>	<b>1999</b>
		£	£
	Interest receivable and similar income	3,872	2,054
		<u>          </u>	<u>          </u>
<b>6</b>	<b>Interest payable and similar charges</b>	<b>2000</b>	<b>1999</b>
		£	£
	Interest payable on:		
	Bank loans and overdrafts	-	126
	Other loans	16,094	47,000
		<u>          </u>	<u>          </u>
		16,094	47,126
		<u>          </u>	<u>          </u>

# LOCHINVAR LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

7	Tax on profit on ordinary activities	2000	1999
		£	£
	<b>U.K. Current year taxation</b>		
	U.K. Corporation tax at 28% (1999 - 24%)	97,200	91,773
	<b>Prior years</b>		
	U.K. Corporation tax	(116)	(6,249)
		<u>97,084</u>	<u>85,524</u>
8	<b>Intangible fixed assets</b>		
			<b>Goodwill</b>
			£
	<b>Cost</b>		
	At 1 January 2000 and at 31 December 2000		<u>520,000</u>
	<b>Amortisation</b>		
	At 1 January 2000		52,000
	Charge for year		<u>26,000</u>
	At 31 December 2000		<u>78,000</u>
	<b>Net book value</b>		
	At 31 December 2000		<u>442,000</u>
	At 31 December 1999		<u>468,000</u>

# LOCHINVAR LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

### 9 Tangible fixed assets

	Computer equipment	Leasehold improve- ments	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 January 2000	23,479	40,000	6,617	24,160	32,073	126,329
Additions	-	53,190	780	40,981	-	94,951
Disposals	-	(40,000)	-	(6,256)	-	(46,256)
<b>At 31 December 2000</b>	<b>23,479</b>	<b>53,190</b>	<b>7,397</b>	<b>58,885</b>	<b>32,073</b>	<b>175,024</b>
<b>Depreciation</b>						
At 1 January 2000	7,241	10,000	2,419	8,152	10,775	38,587
On disposals	-	(10,215)	-	(5,324)	-	(15,539)
Charge for the year	4,059	5,431	1,210	11,254	5,324	27,278
<b>At 31 December 2000</b>	<b>11,300</b>	<b>5,216</b>	<b>3,629</b>	<b>14,082</b>	<b>16,099</b>	<b>50,326</b>
<b>Net book value</b>						
At 31 December 2000	12,179	47,974	3,768	44,803	15,974	124,698
At 31 December 1999	16,238	30,000	4,198	16,008	21,298	87,742

### Finance leases and hire purchase contracts

The net book value of tangible fixed assets includes an amount of £- (1999 - £7,782) in respect of assets held under finance leases or hire purchase contracts.

### 10 Stocks

	2000	1999
	£	£
Finished goods and goods for resale	785,409	664,896

### 11 Debtors

	2000	1999
	£	£
Trade debtors	462,118	558,650
Prepayments and accrued income	19,991	22,358
	482,109	581,008

# LOCHINVAR LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

12 Creditors: amounts falling due within one year	2000 £	1999 £
Net obligations under finance lease and hire purchase contracts	-	1,920
Trade creditors	534,561	752,280
Corporation tax	97,200	91,773
Other taxes and social security costs	37,423	53,072
Loans from shareholders	456,242	456,242
Other creditors	27,375	47,000
Accruals and deferred income	106,399	100,218
	<u>1,259,200</u>	<u>1,502,505</u>

The loans are repayable on demand and carry interest at a rate of 6% per annum.

### 13 Pension costs

14 Share capital	2000 £	1999 £
<b>Authorised</b>		
400,002 Ordinary shares of £1 each	<u>400,002</u>	<u>400,002</u>
<b>Allotted, called up and fully paid</b>		
400,002 Ordinary shares of £1 each	<u>400,002</u>	<u>400,002</u>

15 Reconciliation of movements in shareholders' funds	2000 £	1999 £
Profit for the financial year	203,297	232,718
New share capital subscribed	-	399,999
Net addition to shareholders' funds	<u>203,297</u>	<u>632,717</u>
Opening shareholders' funds	<u>674,418</u>	<u>41,701</u>
Closing shareholders' funds	<u>877,715</u>	<u>674,418</u>

# LOCHINVAR LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

<b>16</b>	<b>Net cash inflow/(outflow) from operating activities</b>	<b>2000</b>	<b>1999</b>
		£	£
	Reconciliation to operating profit:		
	Operating profit	312,603	363,314
	Depreciation of tangible fixed assets	27,278	29,973
	Amortisation of intangible fixed assets	26,000	24,000
	Loss/(profit) on disposal of tangible fixed assets	(2,609)	11,573
	Increase in stocks	(120,513)	(50,498)
	Decrease/(increase) in debtors	98,899	(192,994)
	Decrease in creditors	(246,812)	(478,028)
		<u>94,846</u>	<u>(292,660)</u>

<b>17</b>	<b>Reconciliation of net cash flow to movement in net debt</b>	<b>2000</b>	<b>1999</b>
		£	£
	(Decrease)/increase in cash	(72,578)	41,645
	Capital element of hire purchase and finance lease rentals	1,920	(1,920)
	Net debt at 1 January 2000	<u>373,357</u>	<u>333,632</u>
	Net debt at 31 December 2000	<u>302,699</u>	<u>373,357</u>

<b>18</b>	<b>Analysis of net debt</b>	<b>At 1 January 2000</b>	<b>Cash flow</b>	<b>At 31 December 2000</b>
		£	£	£
	Cash at bank and in hand	375,277	(72,578)	302,699
	Hire purchase and finance leases	(1,920)	1,920	-
		<u>373,357</u>	<u>(70,658)</u>	<u>302,699</u>

### 19 Commitments under operating leases

At 31 December 2000 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2000	1999	2000	1999
	£	£	£	£
Expiry date:				
Between two and five years	-	-	53,920	47,779
In over five years	104,202	46,000	-	-
	<u>104,202</u>	<u>46,000</u>	<u>53,920</u>	<u>47,779</u>

# LOCHINVAR LIMITED

## NOTES TO THE ACCOUNTS *FOR THE YEAR ENDED 31 DECEMBER 2000*

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### 20 Related party transactions

Included in trade creditors is an amount owed to the Lochinvar Corporation of £422,541 (1999 - £553,899) a company which is controlled by W.L Vallett, T.A Vallett and J.W Vallett.

### 21 Controlling parties

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