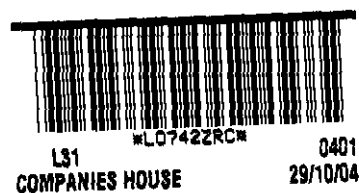


# **Eaton-Williams Limited**

Annual report and financial statements

For the year ended 31 December 2003

Registered number: 2433217



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# Eaton-Williams Limited

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## Directors and advisers

### Executive directors

J Tranter (resigned 27 June 2003)  
R L Bready  
K W Donnelly (appointed 27 June 2003)  
G T Martin (appointed 27 June 2003)  
G C Stapley (appointed 27 June 2003)

### Registered auditors

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

### Secretary and registered office

K W Donnelly  
c/o 35 Old Queen Street  
London  
SW1H 9JD

### Bankers

Lloyds TSB  
3<sup>rd</sup> Floor, Black Horse House,  
Medway Wharf Road,  
Tonbridge, Kent  
TN9 1QS

### Solicitors

Campbell Hooper  
35 Old Queen Street  
London  
SW1H 9JD

## **Directors' report**

### **For the year ended 31 December 2003**

The directors present their report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 December 2003.

#### **Principal activities and business review**

The company did not trade during the year and does not expect to trade in the future.

The subsidiary undertakings held by the company are listed in note 5 to the financial statements. The activities of the subsidiaries include the design, manufacture, sale, installation and service of air conditioning, air handling, heating and humidification equipment. The directors regard these activities as a single class of business. Consolidated financial statements are not presented as the company takes advantage of the exemption afforded by section 228 of the Companies Act 1985.

#### **Results and dividends**

The results for the year are set out in the profit and loss account on page 8.

The directors do not recommend the payment of a final dividend (2002 - £nil).

No appropriation has been made at the year-end in respect of preference dividends in arrears on the basis that all preference shares are now held by a fellow group undertaking Eaton-Williams Holdings Limited, which has waived all rights to such dividends.

#### **Directors**

The directors who served during the year and subsequently were as follows:

J Tranter (resigned 27 June 2003)

R L Bready

K W Donnelly (appointed 27 June 2003)

G T Martin (appointed 27 June 2003)

G C Stapley (appointed 27 June 2003)

The directors held no interests in the share capital of the company or any subsidiary company at any point during the year.

# **Eaton-Williams Limited**

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## **Directors' report (continued)**

### **Auditors**

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be proposed at the Annual General Meeting.

**35 Old Queen Street,  
London,  
SW1H 9JD**

**By order of the board**

  
**G T Martin  
Director**

**28 October 2004**

## Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 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 financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention of fraud and other irregularities.

## **Independent auditors' report to the members of Eaton-Williams Limited**

We have audited the company's financial statements for the year ended 31 December 2003 which comprise profit and loss account, balance sheet and the related notes 1 to 12. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 financial statements 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 financial statements.

# Eaton-Williams Limited

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## Independent auditors' report to the members of Eaton-Williams Limited (continued)

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2003 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP  
Registered Auditor  
London

Date 29 October 2004

Ernst & Young LLP



# Eaton-Williams Limited

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## Profit and loss account

For the year ended 31 December 2003

	Notes	2003 £'000	2002 £'000
Amounts written off investments		-	(800)
<b>Loss on ordinary activities before taxation</b>	2	<hr/>	<hr/> (800)
Tax on loss on ordinary activities	4	-	-
<b>Loss on ordinary activities after taxation and Retained loss for the financial year / period</b>	8	<hr/> - <hr/>	<hr/> (800) <hr/>

The accompanying notes are an integral part of this profit and loss account.

There are no recognised gains or losses in either year other than the result for that year.

# Eaton-Williams Limited

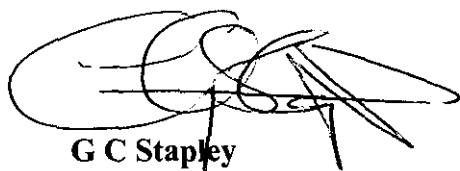
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## Balance sheet 31 December 2003

	Notes	2003 £'000	2002 £'000
<b>Fixed assets</b>			
Investments	5	1,617	1,617
Creditors: Amounts falling due within one year	6	(2,862)	(2,862)
<b>Total assets less current liabilities</b>		<b>(1,245)</b>	<b>(1,245)</b>
<b>Net liabilities</b>		<b>(1,245)</b>	<b>(1,245)</b>
<b>Capital and reserves</b>			
Called-up share capital	7	224	224
Share premium account	8	3,083	3,083
Profit and loss account	8	(4,552)	(4,552)
<b>Shareholders' deficit</b>	9	<b>(1,245)</b>	<b>(1,245)</b>

The accompanying notes are an integral part of this balance sheet.

The financial statements on pages 8 to 17 were approved by the board of directors on 28 October 2004 and signed on its behalf by:



G C Stapley  
Director

## Notes to the financial statements

### 1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

#### **Basis of accounting**

The financial statements are prepared under the historical cost convention and in accordance with United Kingdom generally accepted accounting principles.

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Nortek UK Limited which prepares consolidated financial statements which are publicly available. The company is also exempt from the requirement of FRS1 to present a cash flow statement.

#### **Fundamental uncertainty**

The liabilities of the company exceed its assets and the company is reliant on Nortek UK Limited, the UK holding company, for financial support. Nortek UK Limited has confirmed that it will continue to provide financial support to the company to allow it to continue in business for at least 12 months from the date of approval of the financial statements. The directors of Eaton-Williams Limited believe that Nortek UK Limited has the financial resources to fulfil this commitment. Therefore the accounts have been prepared on a going concern basis.

#### **Pension Scheme**

The company participates in a group defined benefit scheme which is funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Benefits are provided to one director through this scheme. The Company accounts for pensions in accordance with SSAP 24.

The company's contributions are affected by the deficit in the scheme however it is not possible to identify the company's share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. Therefore in accordance with FRS17 multi-employer exemption, for the purposes of the FRS 17 disclosures the scheme is accounted for as if it were a defined contribution scheme.

The latest available information about the existence of the deficit in the scheme and the implications of that deficit for the company are detailed in the notes to the accounts of Eaton-Williams Group Limited.

## Notes to the financial statements (continued)

In accordance with SSAP 24, for defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustment) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### **Investments**

Fixed asset investments are shown at cost less provision for impairment.

### **Impairment**

The company evaluates its fixed assets for financial impairment when events or circumstances indicate the carrying value of such assets may not be fully recoverable. When such evaluations indicate that the carrying value of an asset exceeds its recoverable value, an impairment in value is recorded.

## Notes to the financial statements (continued)

### 2 Loss on ordinary activities before taxation

	2003	2002
	£'000	£'000
Loss on ordinary activities before taxation is stated after charging:		
Impairment of fixed asset investment	-	800

In 2003 and 2002 auditors remuneration is borne by Eaton-Williams Group Limited.

### 3 Directors and staff

	2003	2002
	£'000	£'000
Directors' emoluments	-	-

This expense has been borne by a subsidiary company.

The average number of persons employed by the company, excluding directors, for the year was nil (2002 - nil). The number of directors to whom benefits are accruing under defined benefit schemes was nil (2002 - 1).

### 4 Taxation

	2003	2002
	£'000	£'000
(a) Analysis of tax charge during the year		
UK Corporation tax	-	-
Deferred tax		
Origination and reversal of timing difference	-	-

**Notes to the financial statements (continued)****(b) Factors affecting the tax charge for the year**

The tax assessed on the loss for ordinary activities for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Loss on ordinary activities before tax	<u>-</u>	<u>800</u>
Loss on ordinary activities before tax multiplied by the standard UK corporation tax rate of 30%	-	240
Other timing differences not utilised	-	(240)
Total current tax for the year	<u>-</u>	<u>-</u>

**(c) Factors that may affect future tax charge**

The company has tax losses of £146,000 (2002 - £146,000) that are available indefinitely for offset against future trading profits. The company is eligible to surrender group relief to, or claim group relief from, other Eaton-Williams Group companies. These claims or surrenders may be made without charge.

There is no deferred tax liability arising as at 31 December 2003 or 29 December 2002.

The company has not recorded a deferred tax asset against the brought forward and current tax losses as, in the opinion of the directors, it cannot be assured beyond doubt that the amount will be recovered in the short term. If recognised the deferred tax asset would be £44,000.

## Notes to the financial statements (continued)

### 5 Fixed asset investments

	Shares in subsidiary undertakings £'000
<b>Cost</b>	
At 29 December 2002 and 31 December 2003	<u>6,422</u>
<b>Provisions</b>	
At 29 December 2002 and 31 December 2003	<u>4,805</u>
<b>Net Book Value</b>	
At 31 December 2003	<u>1,617</u>
At 29 December 2002	<u>1,617</u>

The subsidiary companies of Eaton-Williams Limited are as follows:

Subsidiary company	Country of registration	Description of holding	Proportion held	
			Directly	Indirectly
Eaton-Williams Group Limited	England and Wales	261,783 ordinary shares of £1 each	99.9%	-
Eaton-Williams (Millbank) Limited	England and Wales	25,000 ordinary shares of £1 each	-	99.9%
Eaton-Williams Products Limited	England and Wales	5,000 ordinary shares of £1 each	-	99.9%
Eaton-Williams Service Limited	England and Wales	1,000 ordinary shares of £1 each	-	99.9%
Edenaire Limited	England and Wales	1,000 ordinary shares of £1 each	-	99.9%
Vapac Humidity Control Limited	England and Wales	5,000 ordinary shares of £1 each	-	99.9%
Eaton-Williams Exports Limited	England and Wales	1,000 ordinary shares of £1 each	-	99.9%
Precision Air Control Limited	England and Wales	25,000 ordinary shares of £1 each	-	99.9%

The activities of the subsidiaries include the design, manufacture, sale, installation and service of air conditioning, air handling, heating and humidification equipment. The subsidiary companies operate principally in their country of registration.

**Notes to the financial statements (continued)****6 Creditors: amounts falling due within one year**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Amounts due to group undertakings	<u><b>2,862</b></u>	<u><b>2,862</b></u>

Amounts due to group companies are interest free with no set repayment date.

**7 Called-up share capital**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
<b>Authorised</b>		
22,529,002 ordinary shares of 1p each	<u><b>225</b></u>	<u><b>225</b></u>
<b>Allotted, called-up and fully-paid</b>		
22,397,389 ordinary shares of 1p each	<u><b>224</b></u>	<u><b>224</b></u>

**8 Reserves**

	<b>Profit and Loss £'000</b>	<b>Share Premium £'000</b>
Balance at 29 December 2002	(4,552)	3,083
Retained loss for the year	-	-
<b>Balance at 31 December 2003</b>	<u><b>(4,552)</b></u>	<u><b>3,083</b></u>



**Notes to the financial statements (continued)****9 Reconciliation of movements in shareholders' deficit**

	2003	2002
	£'000	£'000
Loss for the financial year	-	(800)
Opening shareholders' funds	(1,245)	(445)
Closing shareholders' funds	<u>(1,245)</u>	<u>(1,245)</u>

**10 Pension obligations****(a) Statement of Standard Accounting Practice "Accounting for Pension Costs" (SSAP24)**

The company participates in a defined benefit pension scheme, operated by Eaton-Williams Group Limited, which covers the majority of its directors and employees providing benefits based upon final pensionable pay.

Independent qualified actuaries carry out actuarial assessments covering expenses and contributions.

At 31 December 2003, there were no prepayments or accruals under this scheme. The last valuation of the scheme was carried out at 6 April 2000 and the results of these valuation and details of the main actuarial assumptions adopted for this purpose are given in the accounts of Eaton Williams Group Limited.

**(b) Financial Reporting Standard 17 "Retirement Benefits" (FRS 17)**

The company participates in a group defined benefit schemes to provide benefits to one director. It is not possible to identify the company's share of assets and liabilities in the schemes on a consistent and reasonable basis. Therefore, in accordance with FRS17 paragraph 9(b) (multi-employer exemption), the schemes are disclosed as if they are accounted for as defined contributions schemes.

The pension cost charge for the year amounted to £nil (2002 – £nil).

In order to provide information about the existence of a surplus or deficit on the schemes, a separate valuation of the schemes as at 31 December 2003 using the projected unit basis

## Notes to the financial statements (continued)

required by FRS17, has been obtained. The valuation of the scheme shows a deficit of £4,850,000. The gross assets are £11,370,000 and the gross liabilities are £16,220,000.

For the purposes of these financial statements, these figures are illustrative only and do not impact on the results or the balance sheet of the company. It should also be noted that these figures include a substantial proportion of pension assets and liabilities relating to other group companies that also participate in the scheme. It has not been possible to identify the share of these funds which relates solely to Eaton Williams Limited.

The measurement bases required by FRS17 are likely to give rise to significant fluctuations in the reported amounts of the defined benefit pension schemes assets and liabilities from year to year, and do not necessarily give rise to a change in the contributions payable into the scheme, which are recommended by the independent actuaries based on the expected long term rate of return on the schemes assets.

### 11 Ultimate controlling party and ultimate parent company

The directors regard Nortek Inc., a company incorporated in the United States of America, as the ultimate parent company and controlling party. The directors regard Eaton-Williams Holdings Limited, a company incorporated in England and Wales, as the immediate controlling company.

The largest group in which the results of the Company are consolidated is that headed by Nortek Inc. incorporated in the United States of America. The consolidated financial statements of this group are available to the public and may be obtained from 50 Kennedy Plaza, Providence, Rhode Island, USA.

The smallest group in which the results are consolidated is that headed by Nortek UK Limited. The consolidated financial statements of this group are available to the public and may be obtained from the Secretary, Nortek UK Limited, 35 Old Queen Street, London, SW1H 9JD.

### 12 Related party transactions

As a subsidiary undertaking of Eaton-Williams Holdings Limited, the company has taken advantage of the exemption in FRS8 "Related party disclosures" from disclosing transactions with other members of the group headed by Eaton-Williams Holdings Limited.

There are no other related party transactions.