REZNOR (UK) LIMITED

Reports and Financial Statements

31 December 2013

Registered Number: 03275506

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COMPANIES HOUSE

Macfarlanes LLP
20 Cursitor Street
London
EC4A 1LT

REZNOR (UK) LIMITED

COMPANY INFORMATION

DIRECTORS

K W Donnelly	(appointed 30 April 2014)
A C Hall	(appointed 30 April 2014)
F J-P Van Belle	(resigned 30 April 2014)
W D Smith Jr	(resigned 30 April 2014)
W E Weaver Jr	(resigned 28 June 2013)
D L Alyea	(appointed 28 June 2013, resigned 30 April 2014)

SECRETARY

K W Donnelly	(appointed 30 April 2014)
W D Smith Jr and Cargil Management Services Limited	(resigned 30 April 2014)

AUDITORS
Ernst & Young LLP
No. 1 Colmore Square
Birmingham
B4 6HQ

BANKERS
Barclays Bank Plc
54 High Street
Worcester
WR1 2QQ

REGISTERED OFFICE
Eastcastle House
27-28 Eastcastle Street
London
W1W 8DH

TRADING ADDRESS
Park Farm Road
Folkestone
Kent
CT19 5DR

STRATEGIC REPORT

The directors present their Strategic Report for the year ended 31 December 2013.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £999,725 (2012 – Profit £1,158,275). The directors do not recommend payment of a dividend (2012: £nil).

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the company in the year under review is that of the distribution of industrial heaters.

	12 months to 31 Dec 2013 £	12 months to 31 Dec 2012 £
Turnover from continuing operations	8,251,818	8,434,799
Operating profit	1,280,432	1,541,212
as a % of turnover	15.5%	18.3%
Working capital	2,320,026	2,789,066

Turnover has fell slightly, due to decrease in sales volumes. Operating profit as a percentage of turnover has decreased, owing mainly to the decrease in turnover. Working capital requirements have also reduced, as a result of more cash being collected and lower stock levels. Working capital comprises of stocks and external trade debtors net of external trade creditors.

Continuous improvements of the products and systems will be an ongoing focus for the company. Customer care and loyalty, allied to a broad range of products is a major strength of the business that will drive growth in the future.

The directors consider the state of affairs of the company to be very satisfactory for the period and the outlook for the business to be extremely favourable.

STRATEGIC REPORT (CONTINUED)

RISKS AND UNCERTAINTIES

Credit, Liquidity and Cash Flow

The company has a sizeable customer base and does not rely on any one of its customers. Accordingly, it has minimal exposure to a bad debt affecting its liquidity, cash flow or future prospects.

The company has policies in place that require appropriate credit checks on potential customers before sales are made. These credit checks are periodically updated using a specialist credit rating agency.

The company and group have sufficient cash balances and do not consider that it has any significant exposure to liquidity issues.

Foreign Currency

As the company deals in multiple currencies, it has exposure to fluctuations in exchange rates, these are naturally hedged as far as possible by offsetting sales and purchases.

The company has no third party debt.

By order of the board

Almon C. Hall
Director

DIRECTORS' REPORT

The directors present their report for the year ended 31 December 2013.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year were:

K W Donnelly	(appointed 30 April 2014)
A C Hall	(appointed 30 April 2014)
F J-P Van Belle	(resigned 30 April 2014)
W D Smith Jr	(resigned 30 April 2014)
W E Weaver Jr	(resigned 28 June 2013)
D L Alyea	(appointed 28 June 2013, resigned 30 April 2014)

GOING CONCERN

The directors consider that the company has adequate resources to continue in operation for the foreseeable future. In forming this view, the directors have reviewed budgets and other financial information. For this reason they continue to adopt the going concern basis in preparing the accounts.

ACQUISITION BY NORTEK

On 30 April 2014 Nortek, Inc., a US company, listed in New York, acquired the HVAC part of ABB Ltd. The ultimate parent company from that date was Nortek, Inc.

FUTURE DEVELOPMENTS

The company will continue in its current capacity for the foreseeable future.

RESEARCH AND DEVELOPMENT

The company will continue its policy of investing in research and development in order to retain a competitive market position.

DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to made himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITORS

Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30 May 2014 and signed on its behalf.

Almon C. Hall

Almon C. Hall
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report, Strategic 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 judgments and accounting estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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 to 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF REZNOR (UK) LIMITED

We have audited the financial statements of Reznor (UK) Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Reports and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF REZNOR (UK) LIMITED *(CONTINUED)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Adrian Roberts (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Birmingham

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2013

	Notes	2013 £	2012 £
TURNOVER	2	8,251,818	8,434,799
Cost of sales		(5,270,150)	(5,126,993)
GROSS PROFIT		2,981,668	3,307,806
Administration costs		(1,701,236)	(1,766,594)
OPERATING PROFIT	3	1,280,432	1,541,212
Interest receivable and similar income		1,953	2,569
Interest payable and similar charges	4	(308)	(2,818)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,282,077	1,540,963
Tax on profit on ordinary activities	6	(282,352)	(382,688)
PROFIT FOR THE FINANCIAL YEAR		999,725	1,158,275

All amounts relate to continuing operations.

There are no recognised gains or losses for 2013 or 2012 other than those included in the Profit and Loss Account.

BALANCE SHEET

at 31 December 2013

	Notes	2013 £	2012 £
FIXED ASSETS			
Tangible assets	8	65,348	93,451
CURRENT ASSETS			
Stocks	9	597,326	683,830
Debtors	10	2,137,692	2,544,638
Cash at bank		2,333,068	858,107
		5,068,086	4,086,575
CREDITORS: amounts falling due within one year	11	(1,818,857)	(1,865,174)
NET CURRENT ASSETS		3,249,229	2,221,401
TOTAL ASSETS LESS CURRENT LIABILITIES		3,314,577	2,314,852
NET ASSETS		3,314,577	2,314,852
CAPITAL AND RESERVES			
Called up share capital	12	1	1
Profit and loss account	13	3,314,576	2,314,851
EQUITY SHAREHOLDER'S FUNDS	14	3,314,577	2,314,852

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 May 2014.

Almon C. Hall

Almon C. Hall
Director

The notes on pages 10 to 17 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2013

1. ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared under the historical cost convention in accordance with applicable accounting standards.

Fundamental accounting concept

The directors consider that the company has adequate resources to continue in operation for the foreseeable future. In forming this view, the directors have reviewed budgets and other financial information. For this reason they continue to adopt the going concern basis in preparing the accounts

Cash flow statement

A statement of cash flows in accordance with FRS1 (revised) has not been prepared, as the Company was a wholly owned subsidiary of ABB Holdings Limited at 31 December 2013, which in turn is a wholly owned subsidiary of ABB Ltd incorporated in Switzerland and which prepares a cash flow within its consolidated accounts.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Property improvements	-	10% - 15%
Plant	-	10% - 20%
Tooling	-	33%
Motor vehicles	-	20%
Fixtures & fittings	-	10% - 15%
Computer equipment	-	33%

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value, as follows:

Work in progress and finished goods – cost of direct materials and labour plus attributable overheads

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Foreign currencies

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

1. ACCOUNTING POLICIES (continued)

Revenue recognition

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Turnover is recognised on product sales on the delivery of goods.

Turnover is recognised on service sales at the time the service is rendered

Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and Loss Account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Operating lease rentals

Rentals paid under operating leases are charged to the Profit and Loss Account on a straight-line basis over the term of the lease.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

Contributions to defined contribution schemes are recognised in the Profit and Loss Account in the period in which they become payable.

Deferred taxation

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 exception that 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2013

2. TURNOVER

The whole of the turnover and profit before tax is attributable to the principal activity of the company.

A geographical analysis of turnover is as follows:

	2013	2012
	£	£
United Kingdom	8,221,147	8,399,919
Rest of Europe	30,671	34,880
	8,251,818	8,434,799

3. OPERATING PROFIT

This is stated after charging / (crediting):

	2013	2012
	£	£
Auditors remuneration for audit services	10,732	8,500
Depreciation of fixed assets		
• owned by the company	43,931	47,211
• held under finance lease	2,398	5,756
Profit on sale of fixed assets	(5,262)	(5,674)
Operating lease rentals – other	57,903	43,161
Operating lease rentals – land and buildings	80,000	80,000
Foreign exchange differences	(1,371)	(13,795)

4. INTEREST PAYABLE & SIMILAR CHARGES

	2013	2012
	£	£
On finance leases and hire purchase contracts	308	2,818

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2013

5. DIRECTORS' REMUNERATION AND STAFF COSTS

Staff costs were as follows:	*2013* £	*2012* £
Wages and salaries	1,157,274	1,088,113
Social security costs	112,062	117,244
Other pension costs	22,944	25,207
	1,292,280	1,230,564

The average monthly number of employees during the year was as follows:

	2013 *No.*	*2012* *No.*
Selling and distribution	34	32
Administration	4	5
	38	37

The directors are remunerated by other group companies. No recharge is made for their services but an allocation of their time spent results in a charge of £2,273 (2012: £2,273) borne by other group entities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2013

6. TAXATION

Analysis of tax charge:	*2013*	*2012*
	£	£
UK corporation tax	302,224	374,324
Adjustments in respect of prior periods	(9,837)	-
Total current tax	292,387	374,324
Deferred tax (origination and reversal of timing differences)	(10,035)	8,364
Tax on profit on ordinary activities	282,352	382,688

Factors affecting current tax charge for the year

The tax charged on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 23.25% (2012 – 24%). The differences are reconciled below:

	2013	*2012*
	£	£
Profit on ordinary activities before tax	1,282,077	1,540,963
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24%)	298,083	369,831
Expenses not deductible for tax purposes, other than Goodwill amortisation and impairment	555	234
Excess depreciation (over capital allowances)	4,815	(3,578)
Provision adjustment	1	238
Fixed asset disposals	(1,230)	-
Due to change in tax rate in the year	-	7,599
Adjustments in respect of prior periods	(9,837)	-
Total current tax charge	292,387	374,324

In his budgets of 23 March 2011, 21 March 2012 and 20 March 2013, the Chancellor of the Exchequer proposed decreases in the rate of the UK corporation taxation from 28% to 20%, falling by 2% in both 2011 and 2012 with further reductions of 1% in 2013, 2% in 2014 and 1% in 2015 to reach a rate of 20% effective 1 April 2015. On 17 July 2012, the reduced taxation rate of 23%, effective 1 April 2013, was enacted.

The further reductions to 21%, 20% were both enacted on 17 July 2013 and in accordance with accounting standards, this has been reflected in the recognised deferred tax asset disclosure.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2013

7. DEFERRED TAXATION

	2013	2012
	£	£
At beginning of year / period	14,060	22,424
Credited for year / period (P&L)	10,035	(8,364)
At end of year / period (note 10)	24,095	14,060

The deferred taxation balance is made up as follows:

	2013	2012
	£	£
Accelerated capital allowance	10,272	(2,122)
Other timing differences	13,823	16,182
	24,095	14,060

8. TANGIBLE FIXED ASSETS

	Property Improvements	Plant & Machinery	Motor Vehicles	F/F & Computer Equipment	Total
	£	£	£	£	£
Cost					
At 1 January 2013	58,016	24,257	156,663	72,913	311,849
Additions	-	16,501	-	1,725	18,226
Disposals	-	-	(21,345)	-	(21,345)
At 31 December 2013	58,016	40,758	135,318	74,638	308,730
Depreciation					
At 1 January 2013	56,918	20,653	92,726	48,101	218,398
Charge for the year	1,098	2,481	31,732	11,018	46,329
On disposals	-	-	(21,345)	-	(21,345)
At 31 December 2013	58,016	438,519	155,085	59,119	243,382
Net book value					
At 31 December 2013	-	17,624	32,205	15,519	65,348
At 31 December 2012	1,098	3,605	63,937	24,812	93,451

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2013	2012
	£	£
Motor vehicles	-	8,635

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2013

9. STOCKS

	2013 £	2012 £
Finished goods and goods for resale	597,326	683,830

10. DEBTORS

	2013 £	2012 £
Trade debtors	2,083,977	2,487,167
Amounts owed by group undertakings	4,524	5,737
Other debtors	3,012	3,877
Prepayments and accrued income	22,084	33,797
Deferred tax asset (note 7)	24,095	14,060
	2,137,692	2,544,638

11. CREDITORS

Amounts falling due within one year.

	2013 £	2012 £
Net obligations under finance leases and HP contracts	-	3,868
Trade creditors	361,275	381,931
Amounts owed to group undertakings	644,126	435,233
Corporation tax	143,381	214,558
Other taxation and social security	422,944	476,628
Accruals and deferred income	247,131	352,956
	1,818,857	1,865,174

Net obligations under finance leases and hire purchase contracts are secured on the assets to which they are associated.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2013

12. SHARE CAPITAL

	2013	*2012*
	£	£
Allotted called up and fully paid		
1 Ordinary shares of £1 each	1	1

13. RESERVES

	Profit and loss account
	£
At beginning of year / period	2,314,851
Charged for year / period (P&L)	999,725
At end of year/period	3,314,576

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2013	*2012*
	£	£
Opening shareholders' funds	2,314,852	1,156,577
Profit for the financial year / period	999,725	1,158,275
Closing shareholders' funds	3,314,577	2,314,852

15. PENSIONS COMMITMENTS

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 for the period was £22,944 (2012: £25,207). Included in other creditors is £159 (2012 - £153) in respect of outstanding pension contributions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2013

16. FINANCIAL COMMITMENTS

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as set out below:

	2013 Land & Buildings	*2013 Other*	*2012 Land & Buildings*	*2012 Other*
	£	£	£	£
Expiry date:				
Within 1 year	-	3,311	80,000	-
Between 2 and 5 years	-	29,368	-	29,241

17. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption from disclosure of related party transactions with group undertakings under FRS 8, to more than 90% owned subsidiaries.

18. ULTIMATE HOLDING COMPANY

Reznor UK Limited is a wholly owned subsidiary of AmbiRad Limited, a company incorporated in England and Wales. AmbiRad Limited is a wholly owned subsidiary of AmbiRad Group Limited. The ultimate parent undertaking and the controlling party of the group into which the financial statements of the company are consolidated is Nortek, Inc., which is incorporated in the USA. On 30 April 2014, Nortek, Inc., a US company, listed in New York, acquired the HVAC part of ABB Ltd including Reznor (UK) Limited.