

Company Registration No. 07528607 (England and Wales)

REXNORD INDUSTRIES (UK) LIMITED

**REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2014**

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REXNORD INDUSTRIES (UK) LIMITED

COMPANY INFORMATION

Directors	M W Peterson (Appointed 14 February 2014) P M Whaley
Secretary	DWF Secretarial Services (Scotland) Limited
Company number	07528607
Registered office	c/o DWF LLP Floor 31 20 Fenchurch Street London England EC3M 3BY
Auditors	Baker Tilly UK Audit LLP Chapel House Westmead Drive Westlea Swindon Wiltshire SN5 7UN

REXNORD INDUSTRIES (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2014

The directors present the strategic report and financial statements for the year ended 31 March 2014.

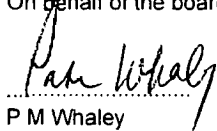
Review of the business

During the year, the company acquired Micro Precision Gear Technology Limited for £14.75m, financed by the issue of £5.5m shares and an intercompany loan of £9.25m, and continued to bear interest on its intercompany loans, resulting in a loss before tax of £0.7m (2013: £0.5m). The company ended the year with net assets of £6.9m (2013: £2.1m).

Principal risks and uncertainties

In the opinion of the directors, given that the company's activity relates only to other group companies, the company faces no significant external risks and uncertainties.

On behalf of the board



P M Whaley

Director

22/12/14

REXNORD INDUSTRIES (UK) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2014

The directors present their report and financial statements for the year ended 31 March 2014.

Principal activity

The principal activity of the company during the year was that of an intermediate holding company.

Results and dividends

The company's trading loss for the year, after taxation, was £709,311 (2013 loss £545,615).

Future developments

There are no plans to change the nature of the company's activities for the foreseeable future.

Directors

The following directors have held office since 1 April 2013 unless otherwise stated:

M W Peterson	(Appointed 14 February 2014)
P M Whaley	
T A Adams	(Resigned 14 February 2014)

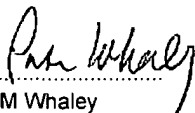
Auditors

Baker Tilly UK Audit LLP has expressed its willingness to continue in office. A resolution to reappoint Baker Tilly UK Audit LLP will be proposed at the annual general meeting.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board


P M Whaley
Director
22/12/14

REXNORD INDUSTRIES (UK) LIMITED

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

The directors are responsible for preparing the Strategic Report, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REXNORD INDUSTRIES (UK) LIMITED

We have audited the financial statements set out on pages 5 to 13. 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 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 auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 3, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

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 March 2014 and of its loss 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

Baker Tilly UK Audit LLP

Nigel Goodman (Senior Statutory Auditor)
for and on behalf of Baker Tilly UK Audit LLP, Statutory Auditor
Chartered Accountants
Chapel House
Westmead Drive
Westlea
Swindon
Wiltshire
SN5 7UN

23rd December 2014

REXNORD INDUSTRIES (UK) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2014

		12 Months ended 31 March 2014 £	13 Months ended 31 March 2013 £
	Notes		
Operating loss		-	-
Interest payable and similar charges	2	(709,311)	(546,880)
Loss on ordinary activities before taxation	3	(709,311)	(546,880)
Tax on loss on ordinary activities	4	-	1,265
Loss for the financial year	11	(709,311)	(545,615)

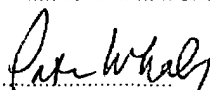
The profit and loss account has been prepared on the basis that all operations are continuing operations.

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

REXNORD INDUSTRIES (UK) LIMITED**BALANCE SHEET
AS AT 31 MARCH 2014**

	Notes	2014 £	£	2013 £	£
Fixed assets					
Investments	6	26,772,000		12,022,000	
Current assets					
Debtors	7	620,608		97,291	
Creditors: amounts falling due within one year	8	(949,461)		(166,310)	
Net current liabilities			(328,853)		(69,019)
Total assets less current liabilities		26,443,147		11,952,981	
Creditors: amounts falling due after more than one year	9	(19,547,494)		(9,848,017)	
Net assets		6,895,653		2,104,964	
Capital and reserves					
Called up share capital	10	5,501,000		1,000	
Share premium account	11	2,971,000		2,971,000	
Other reserves	11	1		1	
Profit and loss account	11	(1,576,348)		(867,037)	
Shareholder's funds	12	6,895,653		2,104,964	

The financial statements on pages 5 to 13 were approved by the board of directors and authorised for issue on 22/2/15 and are signed on its behalf by:


P M Whaley
Director

REXNORD INDUSTRIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

1 Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Going concern

The company recorded a loss for the period. As an intermediate holding company its principal dealings are only with other group companies. Where liabilities exist with these other group companies the directors have no reason to believe that these companies will demand repayment unless funds exist to do so. The company has received a letter of support from the ultimate parent company, Rexnord Corporation, confirming the parent company will continue to support the company for at least twelve months from the expected date of signing of these financial statements. Accordingly the directors have prepared these financial statements on a going concern basis.

Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

Compliance with accounting standards

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 401 of the Companies Act 2006 as it is a subsidiary undertaking of Rexnord Corporation, a company incorporated in the United States of America, and is included in the consolidated accounts of that company.

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

REXNORD INDUSTRIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

2	Interest payable and similar charges	12 Months	13 Months
		ended 31 March 2014 £	ended 31 March 2013 £
	On amounts payable to group companies	709,311	546,880

3 Loss on ordinary activities before taxation

Auditor's remuneration of £1,700 (2013: £1,600) was borne by another group company. Directors' remuneration and directors' pension contributions for services to this company were also borne by another group company.

REXNORD INDUSTRIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

4	Tax on loss on ordinary activities	12 Months ended 31 March 2014 £	13 Months ended 31 March 2013 £
	Current tax		
	Receipt in respect of group relief	-	(1,265)
	Total current tax	-	(1,265)

Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax (23%). The differences are explained below:

Loss on ordinary activities before taxation	(709,311)	(546,880)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 23.00% (2013 - 24.00%)	(163,142)	(131,251)
Effects of:		
Unrelieved tax losses	30,948	129,986
Group relief surrendered	132,194	-
	163,142	129,986
Current tax credit for the year	-	(1,265)

Current tax has been increased by the surrender of £574,756 (2013: £5,271) losses under a group relief scheme. No payment has been made in respect of this amount (2013: payment of £1,265 was reflected in amounts owed by group undertakings).

The company has losses carried forward of £725,071 (2013: £579,310) but, on the grounds that the company is not expected to be profitable in the immediately foreseeable future, no deferred tax asset has yet been recognised.

Factors that may affect future tax charges

The main rate of corporation tax is expected to reduce to 20% by 1 April 2015. The 21% rate for 2014 and the 20% rate for 2015 were substantively enacted in July 2013.

5 Employees

Number of employees

There were no employees during the year apart from the directors.

REXNORD INDUSTRIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2014

6 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 April 2013	12,022,000
Additions	14,750,000
At 31 March 2014	26,772,000
Net book value	
At 31 March 2014	26,772,000
At 31 March 2013	12,022,000

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held	%
Subsidiary undertakings				
Autogard Holdings Limited	United Kingdom	Ordinary	100.00	
*British Autogard Limited	United Kingdom	Ordinary	100.00	
*Autogard Asia Pacific Pty Ltd	Australia	Ordinary	100.00	
Micro Precision Gear Technology Limited	United Kingdom	Ordinary	100.00	

REXNORD INDUSTRIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

6 Fixed asset investments (Continued)

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

		Capital and reserves 2014 £	Profit/(loss) for the year 2014 £
Autogard Holdings Limited	Principal activity Management of investments and provision of management services	4,439,997	325,239
*British Autogard Limited	Manufacture, distribution and sale of power transmission products	435,599	10,861
*Autogard Asia Pacific Pty Ltd	Manufacture, distribution and sale of power transmission products	362,644	101,424
Micro Precision Gear Technology Limited	Manufacture, distribution and sale of power transmission products	15,937,912	1,186,912

*wholly-owned subsidiary of Autogard Holdings Limited.

In addition to the above, two former indirectly-owned subsidiaries, Autogard Italia S.R.L. and Autogard Kupplungen Vertriebs GmbH, are now in liquidation.

7 Debtors	2014 £	2013 £
Amounts owed by group undertakings	620,608	97,291
	<u>620,608</u>	<u>97,291</u>
8 Creditors: amounts falling due within one year	2014 £	2013 £
Amounts owed to group undertakings	949,461	166,310
	<u>949,461</u>	<u>166,310</u>

REXNORD INDUSTRIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2014

9	Creditors: amounts falling due after more than one year	2014 £	2013 £
	Amounts owed to group undertakings	19,547,494	9,848,017
	Analysis of debt maturity		
	Amounts payable:		
	In more than two years but not more than five years	19,547,494	9,848,017
		19,547,494	9,848,017

Amounts owed to group undertakings comprise loans of £9,250,000 (2013: £nil) and £6,250,000 (2013: £6,250,000) owed to Rexnord Industries LLC, £2,650,000 (2013: £2,650,000) owed to Autogard Holdings Limited, £1,000,000 (2013: £nil) owed to Micro Precision Gear Technology Limited, and related accrued interest payable.

The £9,250,000 loan from Rexnord Industries LLC bears interest at LIBOR +4.00% and is repayable on 20 August 2018. The £6,250,000 loan from Rexnord Industries LLC bears interest at twelve-month LIBOR +4.00% and is repayable on 1 April 2016. The loan from Autogard Holdings Limited bears interest at 5% and has no fixed repayment date but is considered to be medium-term debt. The loan from Micro Precision Gear Technology Limited bears interest at LIBOR +4.00% and is repayable on 31 March 2017.

10	Share capital	2014 £	2013 £
	Allotted, called up and fully paid		
	5,501,000 Ordinary shares of £1 each	5,501,000	1,000

On 20 August 2013, 5,500,000 ordinary shares of £1 each were issued for cash consideration of £5,500,000 in connection with the acquisition of Micro Precision Gear Technology Limited.

REXNORD INDUSTRIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

11 Reserves

	Share premium account £	Other reserves (see below) £	Profit and loss account £
Balance at 1 April 2013	2,971,000	1	(867,037)
Loss for the year	-	-	(709,311)
Balance at 31 March 2014	2,971,000	1	(1,576,348)

Other reserves

Capital redemption reserve

Balance at 1 April 2013 & at 31 March 2014

1

12 Reconciliation of movements in shareholder's funds

	2014 £	2013 £
Loss for the financial year	(709,311)	(545,615)
Proceeds from issue of shares	5,500,000	2,971,001
Purchase of own shares	-	(1)
Net addition to shareholder's funds	4,790,689	2,425,385
Opening shareholder's funds	2,104,964	(320,421)
Closing shareholder's funds	6,895,653	2,104,964

13 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

14 Ultimate parent company and controlling party

The immediate parent company is Rexnord Industries LLC. The ultimate parent company and controlling party is Rexnord Corporation. Both entities are incorporated in the United States of America. Rexnord Corporation heads the largest and smallest group in which the results of the company are consolidated.

15 Post balance sheet events

On 30 October 2014, the company's subsidiary Autogard Holdings Limited acquired the entire issued share capital of Tollok S.p.A., a company incorporated in Italy. In connection with the financing of this acquisition, Rexnord Industries (UK) Limited issued share capital of approximately £23m.