

Belimo Automation UK Limited

**Directors' report and financial
statements**

Registered number 1534607

31 December 2007

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

Principal activities

The principal activity of the company in the year under review was the implementation of electrical components for use in the heating and ventilation industry

Business review

A review of the operations of the company during the financial year and the results of those operations are as follows

The directors consider the continued development of the company throughout the year and the state of the company's affairs at the balance sheet date to be satisfactory

The parent company provides support and are also the major supplier to the company, limiting exposure to risks and uncertainties

The company is well established and has been operating within its target market for over 25 years. Several large customers have been trading with the company over many years providing a platform for the business.

Performance Factors such as Sales Revenue, Operating Expense, Operating Income (EBIT) etc are provided and reviewed in a monthly report

All budgets and sales targets are agreed between the parent company and the company on an annual basis

The ongoing product developments by the parent company should lead to new opportunities in the future with existing and new customers

The likely developments in the operations of the company and the expected results of these operations in the financial years subsequent to the year ended 31 December 2007 are that the company will continue its current activities for the foreseeable future

Proposed dividend

The directors expect to propose a final ordinary dividend in respect of the current financial year of £150,000 (2006 £150,000). This has not been included within creditors as it was not approved before the year end.

Dividends paid during the year were a final dividend of £150,000 in respect of the previous year ended 31 December 2006.

Directors and directors' interests

The directors who held office during the year were as follows

BC Trutmann
AJ Bartlett

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company

Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £1,029.

Directors' report (continued)

Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board



AJ Bartlett
Director

St Martins House
31-35 Clarendon Road
Watford
Herts WD17 1JF

27 June 2008

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU.

The financial statements are required by law to present fairly the financial position and the performance of the company. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Report of the independent auditors to the members of Belimo Automation UK Limited

We have audited the financial statements of Belimo Automation UK Limited for the year ended 31 December 2007 which comprise the income statement, the balance sheet, the cash flow statement, and the related notes. These financial statements have been prepared under 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 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether, in our opinion, the Directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, 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 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.

Report of the independent auditors to the members of Belimo Automation UK Limited (*continued*)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

27 JUNE 2008

Income statement
for the year ended 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Revenue	<i>1</i>	6,645	5,898
Cost of sales		(5,353)	(4,579)
Gross profit		1,292	1,319
Administrative expenses		(1,071)	(1,024)
Operating profit	<i>1,2,3,4</i>	221	295
Financial income	<i>5</i>	15	5
Financial expenses	<i>5</i>	(42)	(38)
Net financing costs		(27)	(33)
Profit before tax		194	262
Taxation	<i>6</i>	(65)	(53)
Profit after tax		129	209

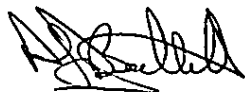
There were no recognised gains or losses in either year other than the profit for the year

There is no difference between the company's profit and loss account and the historical cost profits and losses
 Accordingly, no note of the historical profits and losses for the year has been presented

Balance sheet
at 31 December 2007

	Note	2007 £000	2006 £000
Non-current assets			
Property, plant and equipment	7	99	110
Deferred tax	8	19	20
		<u>118</u>	<u>130</u>
Current assets			
Stocks	9	447	438
Trade and other receivables	10	1,367	1,226
Other financial assets	14	54	56
Cash and cash equivalents		225	252
		<u>2,093</u>	<u>1,972</u>
Total assets		<u>2,211</u>	<u>2,102</u>
Current liabilities			
Trade and other payables	12	(1,091)	(939)
Tax payable		(30)	(52)
Other interest-bearing loans and borrowings	11	(600)	(600)
		<u>(1,721)</u>	<u>(1,591)</u>
Total liabilities		<u>(1,721)</u>	<u>(1,591)</u>
Net assets		<u>490</u>	<u>511</u>
Equity			
Share capital	13	-	-
Retained earnings	13	490	511
Total equity		<u>490</u>	<u>511</u>

These financial statements were approved by the board of directors on 27 June 08 and were signed on its behalf by



AJ Bartlett
Director

Cash flow statement
for the year ended 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Cash flows from operating activities			
Profit for the year		129	209
Adjustments for			
Depreciation	7	29	28
Financial income	5	(15)	(5)
Financial expense	5	42	38
Gain on sale of property, plant and equipment		(5)	1
Taxation	6	65	53
Operating profit before changes in working capital and Provisions		245	324
Increase in trade and other receivables		(141)	(230)
Increase in stock		(9)	(22)
Increase in trade and other payables		152	39
Cash generated from the operations		247	111
Interest paid		(38)	(40)
Tax paid		(84)	(43)
Net cash from operating activities		125	28
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		5	1
Interest received		10	6
Acquisition of property, plant and equipment	7	(18)	(1)
Net cash from investing activities		(3)	6
Cash flows from financing activities			
Increase of borrowings		1	250
Dividends paid	13	(150)	(300)
Net cash from financing activities		(149)	(50)
Net decrease in cash and cash equivalents		(27)	(16)
Cash and cash equivalents at 1 January		252	268
Cash and cash equivalents at 31 December		225	252

Notes

(forming part of the financial statements)

1 Accounting policies

Belimo Automation UK Limited (the "Company") is a company incorporated in the UK

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs")

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial

Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

Intra-group financial instruments

Intra-group financial instruments, such as guarantees received, are held at fair value as financial assets or liabilities, as appropriate. Changes in fair value are taken to the income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

■	Freehold land and buildings	-	6% per annum
■	Leasehold improvements	-	over the life of the lease
■	Plant and machinery	-	12.5 – 33% per annum
■	Fixtures, fittings and equipment	-	12.5 – 33% per annum
■	Motor vehicles	-	33% per annum

Notes (continued)

1 Accounting policies (continued)

Trade and other receivables

Trade and other receivables are stated at their nominal amount

Stock

Stock is stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stock and bringing it to their existing location and condition.

Impairment

The carrying amounts of the company's assets other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in that unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Employee benefits

Obligations for contributions to the defined contribution pension plan are recognised as an expense in the income statement as incurred.

Revenue

Revenue represents amounts received for goods and services net of VAT and discounts.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Notes (continued)

1 Accounting policies (continued)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

New accounting policy

The only significant accounting policy change is the initial application of IFRS 7 "Financial Instruments Disclosures" and the complementary amendment to IAS 1 "Presentation of financial statements – Capital Disclosures". The Company applied the changes retrospectively as from the annual period beginning on 1 January 2007. The new standard introduces new disclosures relating to financial instruments and does not have any impact on classification or valuation of the Company's financial instruments.

2 Expenses and auditors' remuneration

Included in profit are the following

	2007 £000	2006 £000
Audit	17	14

Notes (continued)

3 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2007	2006
Sales	13	13
Administration	3	3
	<u>16</u>	<u>16</u>

The aggregate payroll costs of these persons were as follows

	2007 £000	2006 £000
Wages and salaries	511	487
Social security costs	79	66
Other pension costs	42	40
	<u>632</u>	<u>593</u>

4 Directors' emoluments

	2007 £000	2006 £000
Directors' emoluments	86	84
Company contributions to money purchase pension plans	5	5
	<u>91</u>	<u>89</u>

	Number of directors	
	2007	2006
Retirement benefits are accruing to the following number of directors under Money purchase schemes	<u>1</u>	<u>1</u>

5 Finance income and expense

	2007 £000	2006 £000
Interest income	15	5
Interest expense	(42)	(38)
	<u>(27)</u>	<u>(33)</u>

Notes (continued)

6 Taxation

Recognised in the income statement

	2007 £000	2006 £000
<i>Current tax expense</i>		
Current year	64	83
Adjustments in respect of prior years	-	(4)
	<u>64</u>	<u>79</u>
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	1	(26)
	<u>1</u>	<u>(26)</u>
Total tax in income statement	<u>65</u>	<u>53</u>

Reconciliation of effective tax rate

	2007 £000	2006 £000
Profit before tax	194	262
Tax using the UK corporation tax rate of 30% (2006 30%)	58	79
Non-deductible expenses	13	4
Income not subject to tax	(2)	-
Adjustments in respect of prior years	-	(31)
Other permanent differences/adjustments	(4)	1
	<u>65</u>	<u>53</u>
Total tax in income statement	<u>65</u>	<u>53</u>

Notes (continued)

7 Property, plant and equipment

	Leasehold improvements £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost					
Balance at 1 January 2006	111	138	170	31	450
Acquisitions	-	-	1	-	1
Disposals	-	(118)	(139)	-	(257)
Balance at 31 December 2006	111	20	32	31	194
Balance at 1 January 2007	111	20	32	31	194
Acquisitions	1	3	-	14	18
Disposals	-	-	-	(16)	(16)
Balance at 31 December 2007	112	23	32	29	196
Depreciation and impairment					
Balance at 1 January 2006	24	132	149	8	313
Depreciation charge for the year	8	3	7	10	28
Disposals	-	(118)	(139)	-	(257)
Balance at 31 December 2006	32	17	17	18	84
Balance at 1 January 2007	32	17	17	18	84
Depreciation charge for the year	11	3	5	10	29
Disposals	-	-	-	(16)	(16)
Balance at 31 December 2007	43	20	22	12	97
Net book value					
At 1 January 2006	87	6	21	23	137
At 31 December 2006 and 1 January 2007	79	3	15	13	110
At 31 December 2007	69	3	10	17	99

Notes (continued)

8 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
	£000	£000	£000	£000	£000	£000
Property plant and equipment	19	20	-	-	19	20

Amount of temporary differences, unused tax losses and tax credits for which no deferred tax asset is recognised is £nil (2006 £nil)

Movement in deferred tax during the year

	1 January 2007 £000	Recognised in income £000	31 December 2007 £000
Property, plant and equipment	20	(1)	19

Movement in deferred tax during the prior year

	1 January 2006 £000	Recognised in income £000	31 December 2006 £000
Property, plant and equipment	(6)	26	20

9 Stocks

	2007 £000	2006 £000
Finished goods	447	438

10 Trade and other receivables

	2007 £000	2006 £000
Trade receivables	1,289	1 181
Other receivables and prepayments	78	45
	<u>1,367</u>	<u>1,226</u>

Notes (continued)

11 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the company's interest-bearing loans and borrowings

	2007 £000	2006 £000
<i>Current liabilities</i>		
Loan from Belimo Holding AG	600	600

Terms and debt repayment schedule

The loan is repayable on demand

12 Trade and other payables

	2007 £000	2006 £000
Trade payables due to group undertakings	870	791
Other trade payables	62	38
Non-trade payables and accrued expenses	159	110
	<u>1,091</u>	<u>939</u>

13 Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital £000	Retained earnings £000	Total Equity £000
Balance at 1 January 2006	-	602	602
Total recognised income and expense	-	209	209
Dividends	-	(300)	(300)
	<u>-</u>	<u>511</u>	<u>511</u>
Balance at 31 December 2006	-	511	511
Balance at 1 January 2007	-	511	511
Total recognised income and expense	-	129	129
Dividends	-	(150)	(150)
	<u>-</u>	<u>490</u>	<u>490</u>
Balance at 31 December 2007	-	490	490

Notes (continued)

13 Capital and reserves (continued)

Share capital

	2007	Ordinary shares 2006
On issue at 1 January and 31 December fully paid	100	100
	<u>100</u>	<u>100</u>
	2007	2006
	£	£
<i>Authorised</i>		
Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company

Dividends

	2007 £000	2006 £000
£1,500 (2006 £3,000) per qualifying ordinary share	150	300
	<u>150</u>	<u>300</u>

After the balance sheet date dividends of £1,500 per qualifying ordinary share (2006 £1,500) were proposed by the directors. The dividends have not been provided for

Notes (continued)

14 Financial instruments

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature or, if earlier, are repriced

	Effective interest rate %	2007		Effective interest rate %	2006	
		Total £000	0 to 1 years £000		Total £000	0 to <1 years £000
Cash and cash equivalents*	3.88	225	225	3.20	252	252
Loan from Belimo Holding AG*	6.00	600	600	5.25	600	600
Inter-company balance with Belimo Automation AG*	nil**	870	870	nil**	541	541
		<u>1,695</u>	<u>1,695</u>		<u>1,393</u>	<u>1,393</u>

* These assets / liabilities bear interest at a fixed rate

** This balance attracts interest at 7.75% on overdue amounts only

Fair values

The fair values together with the carrying amounts shown in the balance sheet are as follows

	Carrying amount 2007 £000	Fair value 2007 £000	Carrying amount 2006 £000	Fair value 2006 £000
Loan from group undertakings	(600)	(600)	(600)	(600)
Intra-group guarantee (see note 1)	54	54	56	56
	<u>(546)</u>	<u>(546)</u>	<u>(544)</u>	<u>(544)</u>
Unrecognised (losses) / gains		-		-

Note 1 A fellow subsidiary has issued a guarantee in favour of Belimo Automation UK Limited, indemnifying the company against risk of bad debt on trade debtors and stock obsolescence. This guarantee represents a financial asset and is carried at fair value. Fair value is determined based on estimates regarding recoverability of debts outstanding and stock at the balance sheet date.

Notes (continued)

15 Operating leases

Non-cancellable operating lease rentals are payable as follows

	2007 £000	2006 £000 (restated)
Less than one year	50	50
Between one and five years	200	200
More than five years	42	92
	292	342

During the year £50,000 was recognised as an expense in the income statement in respect of operating leases (2006 £50,000)

16 Related parties

Identity of related parties

All companies belonging to the group headed by Belimo Holdings AG have been identified as related parties

Related party transactions

There have been transactions in the year with following companies which are the ultimate holding company of Belimo Automatic UK Limited and a fellow subsidiary of that company

Belimo Holdings AG Interest payments of £36,000 have been made in respect of the outstanding loan. The amount outstanding at the end of the year was £600,000. The loan bears interest at 6.00% and is repayable on demand.

Belimo Automation AG Purchases of £5,162,000 were made from this fellow subsidiary of Belimo Holding AG. These costs are included within cost of sales. Additionally, £3,000 of interest on late payments was paid to the same company.

The balance outstanding at the year end was £870,000. Invoices are payable within 60 days, after which point interest of 7.75% is charged.

Other related party transactions

The directors are deemed key management personnel. Their compensation is disclosed in note 4.

17 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Belimo Holding AG which is the immediate and ultimate parent company incorporated in Switzerland.

The consolidated financial statements of the groups headed by this company are available to the public and may be obtained from Brunnenbachstrasse 1, CH-8340 Hinwil, Switzerland.

18 Subsequent events

Subsequent to the balance sheet date, no events requiring disclosure or adjustment have been noted.