Bryan Donkin RMG Gas Controls Limited

Directors' report and financial statements

Registered number 03123056

31 December 2007

Contents

Company information

Directors	AS Clark Managing Director JH Foldes
Company secretary	GW Lloyd
Registered office	Enterprise Drive Holmewood Chesterfield Derbyshire S42 5UZ
Registered number	03123056
Auditors	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ
Bankers	National Westminster Bank Plc 5 Market Place Chesterfield Derbyshire S40 1TJ
Solicitors	Dibb Lupton Alsop 117 The Headrow Leeds LS1 5JX

Directors' report

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

Principal activity

The company's principal activity is the design, manufacture, supply and installation of gas control and monitoring equipment

Business review

The results for the period are set out in the attached financial statements The directors consider the result to be satisfactory

The business continues to build upon a flexible platform minimising operational risk but still creating the opportunity to develop our customer service levels

The Corporate risk management strategy has already seen the installation of formal monthly reviews, quarterly forecast meetings in addition to the annual budget and planning procedures

Product range, quality, customer service and innovation will continue to be the cornerstones of the business in order to deliver the company's challenging growth aspirations

The company is committed to ensure all staff are trained to a high standard in the fundamental areas of the business reflected by the introduction of NVQ based training in the application of lean tools techniques

This investment in our workforce will continue in order to drive the adoption of industry best practice in all areas of the business and create opportunities for the development of our employees

As a responsible employer and member of the community, we have continued to promote health and safety awareness through internal training projects

We are committed to environment awareness and preservation throughout the business

Operating and financial review

The company defined its mission statement in the 2008 budget document for the forthcoming three years to improve the operating profit to 10% of sales and reduce operating working capital to under 20% of sales Involvement with staff at all levels of the Company will be paramount to the attainment of the mission

Qualitative measures relating to 'improvements in service' are important measures of performance to the company and the community, however these are difficult to measure Quantitative measures in terms of business performance and profitability are important to employees and customers as well the company's other stakeholders to provide assurances as to the continuing stability of the organisation

Basic Key Performance Indicators ('KPIs'), that the company bases financial evaluations upon, are operational profit and capital employed There is a direct link between profitability and turnover which is reflected in the budgeting process

Operational profit increased from 1 2% of sales in 2006 to 3 5% of sales in 2007, reflecting an improved profitability due to an 11% increase in output offset by an increase in administrative expenses due to the sale of the land and buildings The expectation for 2008 is an increase to 6% of sales

Staffing remains the greatest asset, but also a substantial cost to the company, amounting to £2,091,681 in 2006 and £2,194,900 in 2007, the increase represented by an increase in overtime and inflation Staff costs as a percentage of turnover were 27 7% in 2006 and 26 0% in 2007

The company remains confident that growth of 3 6% in turnover (2008 against 2007) as well as the improvement in profitability can be achieved in the forthcoming year

Directors' report *(continued)*

Results and dividends

The profit for the year amounted to £1,255,628 *(2006 £115,510)*

Dividends paid during the year comprise an interim dividend in respect of the year ended 31 December 2007 of £3,873,751 *(2006 £750,000)*

Directors

The board of directors who served during the year and to the date of this report is as follows

AS Clark
JH Foldes

Disclosure of information to 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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Research and development

Bryan Donkin RMG Gas Controls Limited is a world leader in the design, manufacture and selling of integrated module based gas pressure regulating stations for both above and below ground installations, including individual regulators and safety cut off valves We have a policy of continual improvement and product development

Political and charitable donations

The company made donations of £175 *(2006 £90)* to the local Ashgate Hospice and £500 *(2006 £500)* to Young Enterprise during the year and did not make any political donations

Auditors

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 the Order of the Board

GW Lloyd
Company Secretary

10 March 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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 estimates that are reasonable and prudent,
- state whether applicable UK 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 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

KPMG LLP
St Nicholas House
Park Row
NOTTINGHAM NG1 6FQ

Report of the independent auditors to the members of Bryan Donkin RMG Gas Controls Limited

We have audited the financial statements of Bryan Donkin RMG Gas Controls Limited for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet, the note of historical cost profits and losses 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 UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 4

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 information given in 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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, 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
Chartered Accountants
Registered Auditor

10 March 2008

Profit and loss account
for the year ended 31 December 2007

	Note	2007 £	2006 £
Turnover	2	8,446,325	7,554,552
Cost of sales		(6,832,104)	(6,009,751)
Gross profit		1,614,221	1,544,801
Distribution costs		(831,871)	(843,732)
Administrative expenses		(600,010)	(456,455)
Administrative expenses - exceptional items	8	-	(195,516)
Other operating income	3	113,722	41,400
Operating profit		296,062	90,498
Profit on sale of land and buildings	8	441,021	-
Other interest receivable and similar income	6	184,618	28,552
Interest payable and similar charges	7	(559)	(3,540)
Profit on ordinary activities before taxation	8	921,142	115,510
Tax on profit on ordinary activities	9	334,486	-
Profit for the financial year	17	1,255,628	115,510

In both the current and preceding year, the company made no material acquisitions and had no discontinued operations

There are no recognised gains or losses in either the current or preceding year other than those disclosed in the profit and loss account and therefore no statement of total recognised gains and losses has been presented

Note of historical cost profits and losses
for the year ended 31 December 2007

	2007 £	2006 £
Reported profit on ordinary activities before taxation	921,142	115,510
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	9,394	11,237
Realisation of property revaluation gains of previous years	1,471,210	-
Historical costs profit on ordinary activities before taxation	2,401,746	126,747
Historical costs loss for the year retained after taxation and dividends	(1,137,519)	(623,253)

Balance sheet
as at 31 December 2007

	Note	2007		2006	
		£	£	£	£
Fixed assets					
Tangible assets	*11*		**293,985**		3,623,693
Current assets					
Stocks	*12*	**1,456,607**		1,354,109	
Debtors	*13*	**2,234,979**		1,424,287	
Cash at bank and in hand		**267,821**		254,993	
		3,959,407		3,033,389	
Creditors amounts falling due within one year	*14*	**(1,366,645)**		(1,088,687)	
Net current assets			**2,592,762**		1,944,702
Total assets less current liabilities			**2,886,747**		5,568,395
Accruals and deferred income	*15*		**-**		(63,525)
Net assets			**2,886,747**		5,504,870
Capital and reserves					
Called up share capital	*16*		**2,000,000**		2,000,000
Revaluation reserve	*17*		**-**		1,480,604
Other reserves	*17*		**-**		852,123
Profit and loss account	*17*		**886,747**		1,172,143
Shareholders' funds	*18*		**2,886,747**		5,504,870

These financial statements were approved by the board of directors on 10 March 2008 and were signed on its behalf by

AS Clark
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of leasehold land and buildings

Cash flow statement

Under FRS 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

Related party transactions

The company is a wholly owned subsidiary of RMG Regel + Messtechnik GmbH, the consolidated financial statements of which are publicly available at the address disclosed in note 21

Accordingly, the company has taken advantage of the exemptions in FRS 8 from disclosing transactions with members or investees of the RMG Regel + Messtechnik GmbH group

Fixed assets

All fixed assets are initially recorded at cost Leasehold property is held at valuation under FRS 15 'Tangible Fixed Assets'

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at annual rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows

Leasehold property	- 20 years
Plant and machinery	- 2 - 12 years
Fixtures and fittings	- 2 - 10 years

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments

Stocks

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

Raw materials, consumables and goods for resale	-	purchase cost on a first-in, first-out basis
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity

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

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Operating lease agreements

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

Rentals receivable under operating leases are credited to the profit and loss account on a straight line basis over the lease term

Pension costs

The company does not operate a pension scheme, but contributes to employees' personal pension plans with the costs charged to the profit and loss account as incurred

Research and development

Research and development costs are charged to the profit and loss account as incurred

Group financial statements

The company is exempt from the requirement to prepare group financial statements by virtue of section 228 of the Companies Act 1985 The financial statements therefore present information about the company as an individual undertaking and not about its group

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

2 Turnover

Turnover, which is stated net of value added tax, represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities

Turnover is attributable to one activity, the manufacture, supply and installation of gas control and monitoring equipment

An analysis of turnover by geographical market is given below

	2007	2006
	£	£
United Kingdom	**5,586,142**	4,081,785
Western Europe (excluding UK)	**919,100**	1,229,392
Eastern Europe	**8,998**	92,304
North America	**59,918**	82,189
Central and South America	**80,976**	106,151
Middle East	**439,438**	218,548
South East Asia	**1,130,032**	1,697,935
Australia	**33,924**	41,241
Africa (Rest of World)	**187,797**	5,007
	8,446,325	7,554,552

Notes *(continued)*

3 Other operating income

	2007 £	2006 £
DTI grant amortisation	**104,925**	41,400
Rental income	**8,797**	-
	113,722	41,400

4 Staff costs

	2007 £	2006 £
Staff costs (including directors)		
Wages and salaries	**1,942,197**	1,844,302
Social security costs	**194,399**	186,712
Pensions costs	**58,304**	60,667
	2,194,900	2,091,681

	Number	Number
The monthly average number of employees were as follows		
Administrative staff	**35**	36
Manufacturing	**46**	46
	81	82

5 Directors' emoluments

	2007 £	2006 £
Directors' emoluments	**120,161**	136,893
Value of company pension contributions to personal pension schemes	**4,800**	6,900

6 Other interest receivable and similar income

	2007 £	2006 £
Foreign exchange gain on loan to RMG Regel + Messtechnik GmbH	**123,751**	-
Bank interest receivable	**16,522**	6,116
Interest receivable on amounts owing from group undertakings	**44,345**	22,436
	184,618	28,552

Notes *(continued)*

7 Interest payable and similar charges

	2007 £	2006 £
Bank interest payable	**559**	409
Other interest payable	**-**	3,131
	559	3,540

8 Profit on ordinary activities before taxation

			2007 £	2006 £
This is stated after charging/(crediting)				
Depreciation	- owned assets		**268,314**	284,976
Operating lease rentals	- plant and machinery			41,471
Legal costs associated with capital reduction (note 16)			**-**	10,276
Bad debts written off in the year			**4,283**	7,665
Research and development costs			**82,012**	72,176
Foreign exchange profit			**(120,779)**	(7,517)
Auditors' remuneration				
- audit of these financial statements			**15,994**	17,248
- other services	fees receivable by auditors and their associates	- tax computation	**5,165**	7,257
		- tax advisory	**16,550**	-

Exceptional items

On 24 October 2007 the company successfully completed the lease and leaseback of the premises at Enterprise Drive, Holmewood, Chesterfield to Sheldon Friendly Society ('Sheldon') A lease was granted to Sheldon for a period ending 1 November 2196 for a premium of £3,746,000 The de-recognition of the property has resulted in a surplus of £441,021 A sub-lease was then granted from Sheldon to the company for a period of ten years at a rent of £315,000 per annum

Redundancy costs of £25,000 were incurred in 2006 as a result of restructuring in that year

In 2002 the company successfully defended a claim, which was subsequently lost at appeal During 2006, the company paid out £170,516 in full and final settlement of the case which was included within exceptional items

9 Tax on profit on ordinary activities

	2007 £	2006 £
Tax on profit on ordinary activities is as follows		
United Kingdom corporation tax		
Current tax	**49,329**	-
Adjustments in respect of prior periods	**-**	-
Total current tax charge	**49,329**	-
Deferred taxation		
Origination and reversal of timing differences	**(383,815)**	-
Tax on profit on ordinary activities	**(334,486)**	-

Notes *(continued)*

9 Tax on profit on ordinary activities *(continued)*

Factors affecting the tax charge for the current period

The current tax charge for the year is lower *(2006 lower)* than the standard rate of corporation tax in the UK of 30% *(2006 30%)* The differences are explained below

	2007	2006
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	**921,142**	115,510
Current tax at 30% *(2006 30%)*	**276,343**	34,653
Effects of		
Expenses not deductible for tax purposes	**25,967**	7,498
Depreciation in excess of capital allowances	**20,917**	85,231
Utilisation of tax losses	**(95,375)**	(116,017)
Other timing differences	**(30,778)**	(11,365)
Profit on sale of land and buildings extinguished by indexation allowance	**(147,745)**	-
Total current tax charge	**49,329**	-

The tax impact of the exceptional costs charged in the profit and loss account is £nil *(2006 £58,655)*

Deferred taxation

The following deferred tax balances have been recognised in the preparation of the financial statements

	2007	2006
	£	£
Accelerated capital allowances	**(106,002)**	(114,131)
Other timing differences	**(7,348)**	41,508
Trading losses	**(270,465)**	72,623
	(383,815)	-

The following deferred tax asset has not been recognised as the directors do not consider it more likely than not that there will be suitable taxable profits available in the future against which they can be relieved

	2007	2006
	£	£
Trading losses for taxation purposes	**346,420**	471,295

In accordance with FRS 19 'Deferred Tax', no deferred tax was recognised in respect of revalued property as no binding sale agreement was in place for the sale of this asset at 31 December 2006 The potential, unprovided deferred tax liability at 31 December 2006 was approximately £444,000

The company had trading losses of £2,056,284 carried forward at 31 December 2007 *(2006 £1,813,061)*

Notes *(continued)*

10 Dividends

	2007	2006
	£	£
Dividends paid	**3,873,751**	750,000

11 Tangible fixed assets

	Long leasehold property	Leasehold improvements	Plant and machinery	Fixtures and fittings	Total
	£	£	£	£	£
Cost or valuation					
At 1 January 2007	3,500,000	-	1,844,141	414,529	5,758,670
Additions	-	37,445	86,776	41,681	165,902
Disposals	(3,500,000)	-	(202,798)	-	(3,702,798)
At 31 December 2007	-	37,445	1,728,119	456,210	2,221,774
Accumulated depreciation					
At 1 January 2007	148,731	-	1,619,392	366,854	2,134,977
Charge for the year	123,973	-	123,510	20,831	268,314
Disposals	(272,704)	-	(202,798)	-	(475,502)
At 31 December 2007	-	-	1,540,104	387,685	1,927,789
Net book value					
At 31 December 2007	**-**	**37,445**	**188,015**	**68,525**	**293,985**
At 31 December 2006	3,351,269	-	224,749	47,675	3,623,693

Long leasehold property would have been included on a historical cost basis at

	2007	2006
	£	£
At cost	-	2,973,011
Aggregate depreciation thereon	-	1,169,036
Net book value	-	1,803,975

The leasehold property was revalued to a market value of £3,500,000 at 31 December 2005 by DTZ Debenham Tie Leung in accordance with RICS Appraisal and Valuation Standards The property was sold during the year ended 31 December 2007

Notes *(continued)*

12 Stocks

	2007 £	2006 £
Raw materials	**670,986**	678,659
Work in progress	**579,135**	536,103
Finished goods	**206,486**	139,347
	1,456,607	1,354,109

The directors do not consider the replacement cost of stock to be materially different to that shown above

13 Debtors

	2007 £	2006 £
Trade debtors	**1,587,846**	1,212,055
Amounts recoverable on contracts	**-**	98,749
Amounts owed by group undertakings - consolidated companies	**39,763**	43,902
- non-consolidated companies	**36,329**	16,130
- associated companies	**32,517**	4,711
Prepayments and accrued income	**154,709**	48,740
Net deferred tax assets	**383,815**	-
	2,234,979	1,424,287

14 Creditors: amounts falling due within one year

	2007 £	2006 £
Trade creditors	**785,323**	538,395
Amounts owed by group undertakings - consolidated companies	**85,766**	201,049
- non consolidated companies	**14,762**	-
Other creditors including taxation and social security	**119,229**	51,600
Accruals and deferred income	**361,565**	297,643
	1,366,645	1,088,687

15 Accruals and deferred income

Deferred government grants *- greater than one year*	2007 £	2006 £
Balance as at 1 January	**63,525**	104,925
Released to the profit and loss account during the year	**(63,525)**	(41,400)
Balance at 31 December	**-**	63,525

Notes *(continued)*

16 Called up share capital

	2007	2006
	£	£
Authorised, allotted, called up and fully paid		
2,000,000 ordinary shares of £1 each	**2,000,000**	2,000,000

On 30 October 2006 the issued share capital of the company was reduced by virtue of a Special Resolution with the sanction of an Order of the High Court from £6,250,000 to £2,000,000 As explained below £852,123 was at that time transferred to 'other reserves' and the balance of £3,397,877 was transferred to the profit and loss account

17 Reserves

	Revaluation reserve	Other reserves	Profit and loss account
	£	£	£
At 1 January 2007	1,480,604	852,123	1,172,143
Profit for the year	-	-	1,255,628
Transfers to profit and loss account	(1,480,604)	(852,123)	2,332,727
Dividends	-	-	(3,873,751)
At 31 December 2007	-	-	**886,747**

As part of the share capital reduction process, a reserve of £852,123 was created, being an amount equal to the balance of outstanding creditors at 30 October 2006 This has been transferred to the profit and loss account in the current year as all such creditors have been paid in full

18 Reconciliation of movement in shareholders' funds

	2007	2006
	£	£
Profit for the year	**1,255,628**	115,510
Dividends	**(3,873,751)**	(750,000)
Net reduction in shareholders' funds	**(2,618,123)**	(634,490)
Opening shareholders' funds	**5,504,870**	6,139,360
Closing shareholders' funds	**2,886,747**	5,504,870

Notes *(continued)*

19 Operating lease commitments

	Land and buildings		Other	
	2007	2006	**2007**	2006
The annual commitments in respect of non-cancellable operating leases are as follows	**£**	£	**£**	£
Operating leases which expire				
Within one year	-	-	**6,006**	29,285
In the second to fifth years	-	-	**30,425**	42,996
Over five years	**315,000**	-	-	-
	315,000	-	**36,431**	72,281

An additional lease commitment has arisen in the year as a result of the lease and leaseback of the premises (see note 8)

20 Capital commitments

At 31 December 2007, capital commitments of £13,489 were outstanding *(2006 £41,585)*

21 Parent and controlling company

The company's immediate parent company and ultimate holding company is RMG Regel + Messtechnik GmbH

The parent company of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is RMG Regel + Messtechnik GmbH, which is incorporated in Germany Copies of the financial statements of RMG Regel + Messtechnik GmbH may be obtained from Osterholzstrasse 45, D-34123, Kassel, Germany