Bryan Donkin RMG Gas Controls Ltd

Report and accounts 2011

Registration number 3123056

Contents

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Directors' report

for the year ended 31 December 2011

The directors of Bryan Donkin RMG Gas Controls Ltd present their report and audited accounts of the company for the year ended 31 December 2011

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

Business review and future developments
Turnover
Turnover for 2011 was 27% up against 2010 at £12,455,000 (2010 £9,831,000) The increase can be attributed to acquiring an additional SIP-CB Energy Assets contract

Operating result
The company made an operating profit in the year of £50,000 (2010 £881,000) Gross profit margin has reduced in 2011 against 2010 to 17% (2010 24%), because of higher volumes on lower margin product

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

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 the Honeywell Operation System applying training in the application of lean tools techniques

The investment in our workforce will continue with the introduction of the Honeywell Operating System 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

The company expects to continue its activities and its current level of performance for the foreseeable future

Strategy
The company maintains market share and sustainable growth through the following strategies

- focus on customers, including customer survey programmes to obtain and action customer feedback to improve business performance,
- productivity and process improvement,
- continued expansion into markets such as energy and security,
- defending and extending the installed base through customer productivity improvements, and
- strong brand recognition through brand and channel management

Principal risks and uncertainties
The management of the business and the execution of the company's strategy are subject to a number of risks The key business risks affecting the company are

- rate of growth of domestic and commercial construction
- fluctuation in demand for residential retrofits and upgrades
- fluctuations in industrial capital spend
- adverse economic conditions in Europe
- changes to fire, security, health care and safety concerns/regulations

In response to the risks the company
- maintains a UK-wide presence and aims to have a competitive installed cost and integrated product solutions through technology and productivity,
- ensures effective pricing and continued recognition of brand and quality to maintain market position,
- maintains a high technology offering while widening its product base and expanding into new areas, and
- monitors applicable regulations to ensure products and systems provide high quality solutions for current needs

Key performance indicators
Management monitors the business using the following key indicators

Turnover		
The change in net sales in 2011 and 2010 is attributable to the following	2011	*2010*
Price	3%	2%
Volume	24%	*(15%)*
	27%	*(13%)*
Cost of products and services sold		
Gross margin %	17%	*24%*

Gross margin decrease is due to higher volumes on lower margin product

Operating expenses		
% of turnover	17%	*15%*

Operating expenses as a percentage of turnover are comparable to 2010 levels

Staff numbers		
% decrease year on year	(2 20%)	-

Headcount has reduced over 2010 as leavers have not been replaced

Results and dividends
The company's profit for the financial year was £73,000 (2010 £846,000 profit) which will be transferred to reserves The results for the year are shown on page 6

The directors do not recommend the payment of a dividend (2010 nil)

Research and development
Bryan Donkin RMG Gas Controls Ltd 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 Research and development expenditure in the year amounted to £76,000 (2010 £65,000)

Charitable donations
The company made donations of £nil (2010 £110) to the local Ashgate Hospice and £nil (2010 £500) to Young Enterprise during the year

Directors
The directors of the company who held office during the year and up to the date of signing these accounts were

Alan Clark
Faisal Majid (appointed 30 March 2011)
Mary O'Driscoll (appointed 15 August 2011)
Tony Tielen (appointed 7 September 2011)
Grant Fraser (appointed 1 January 2012)

Directors' indemnities
Pursuant to the company's articles of association, the directors were throughout the year to 31 December 2011 and is at the date of this report entitled to a qualifying indemnity provision as defined in section 236 of the Companies Act 2006

Financial instrument policies
Financial risk management
The company's operations expose it to a variety of financial risks that include interest rate risk, foreign exchange risk, credit risk and liquidity risk Financial risks are monitored by the directors in order to mitigate the risks
Currency risk
The company has a limited exposure to foreign currency movements related to its operating transactions It covers its foreign currency risk by obtaining currency hedges with the ultimate parent company At 31 December, the fair value of unrealised assets/(liabilities) under hedge contracts was not material (2010 £nil)
Credit risk
The company's credit risk is primarily attributable to its trade receivables The company's client base principally comprises large blue chip organisations As a result, the company has good visibility as to the standing and reputation of its clients The financial institutions which the company has banking arrangements with are approved by the Honeywell group
Liquidity risk
The company ensures availability of funding through an appropriate amount of committed facilities, on a group wide basis, that are designed to ensure the company has sufficient available funds for its operations

Directors responsibilities statement
The directors are responsible for preparing the Directors' report and the accounts in accordance with applicable law and regulations

Company law requires the directors to prepare accounts for each financial year Under that law the directors have prepared the accounts in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law) Under company law the directors must not approve the accounts 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 accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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 accounts,
- prepare the accounts 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 accounts 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

Disclosure of information to auditors

In the case of each of the persons who is a director at the time this report is approved

- so far as the director is 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/she ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

By order of the board

Grant Fraser

Grant Fraser
Director
9 July 2012

Independent auditors' report

to the members of Bryan Donkin RMG Gas Controls Ltd

We have audited the financial statements of Bryan Donkin RMG Gas Controls Ltd for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet and the related notes 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)

Respective responsibilities of directors and auditors

As explained more fully 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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

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 Directors' report to identify material inconsistencies with the audited financial statements 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 2011 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 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

Alison Cashmore (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
West London
9 July 2012

Profit and loss account

for the year ended 31 December 2011

	Note	2011 £000	*2010 £000*
Turnover	3	12,455	*9,831*
Cost of sales		(10,293)	*(7,466)*
Gross profit		2,162	*2,365*
Distribution costs		(950)	*(1,046)*
Administration expenses		(1,329)	*(620)*
Other operating income		167	*182*
Operating profit	4	50	*881*
Interest receivable and similar income	6	-	*1*
Profit on ordinary activities before taxation		50	*882*
Tax on profit on ordinary activities	7	23	*(36)*
Profit on ordinary activities after taxation	14	73	*846*

All results derive from continuing operations

There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents

The company has no recognised gains and losses other than the profit for the year, and therefore no separate statement of total recognised gains and losses has been presented

Balance sheet
as at 31 December 2011

	Note	2011 £000	*2010 £000*
Fixed assets			
Tangible assets	9	247	*246*
Current assets			
Stocks	10	1,986	*1,600*
Debtors	11	2,711	*1,336*
Cash at bank and in hand		2,398	*3,112*
		7,095	*6,048*
Current liabilities			
Creditors: amounts falling due within one year	12	(2,718)	*(1,743)*
Net current assets		4,377	*4,305*
Net assets		4,624	*4,551*
Capital and reserves			
Called up share capital	13	2,000	*2,000*
Profit and loss account	14	2,624	*2,551*
Total shareholders' funds	14	4,624	*4,551*

The accounts were approved by the board of directors on 9 July 2012 and were signed on its behalf by

Grant Fraser

Grant Fraser
Director

1. Accounting policies
These accounts are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The accounting policies which have been applied consistently throughout the year, are set out below

Changes in accounting policies
The accounting policies have been reviewed by the board of directors in accordance with FRS18 "Accounting policies"

During the year amendments to FRS8 "Related Party Disclosures" have been adopted The amendments to this policy have had no impact on the accounts of the company

Turnover and revenue recognition
Turnover comprises sales to customers and service revenues net of value added tax Revenue from product and service sales is recognised on delivery and when acceptance by the customer has occurred Revenue from long term contracts for custom built control systems is recognised on the percentage of completion basis once the outcome of the contract can be recognised with reasonable certainty Revenue from service contracts is recognised evenly over the period of the contract Revenue from the sale of consignment stock is recognised when the title of goods sold passes to the customer Where, for a particular contract, turnover exceeds amounts invoiced on account, the excess is included in debtors as amounts recoverable on contracts Where amounts invoiced exceed turnover, the excess is included in payment on account

Leases
Rental costs under operating leases are charged to the profit and loss account in equal amounts over the period of the lease

Research and development
All costs associated with research, engineering, product design and product development are written off to the profit and loss account in the year of expenditure

Foreign currency
Transactions denominated in foreign currency are booked into the accounts using daily or monthly exchange rates prevailing when the transaction is recorded Monetary assets and liabilities which are denominated in foreign currencies are translated into pounds sterling at rates of exchange approximating to those ruling at the balance sheet date Exchange gains or losses resulting from the year's trading are reflected in the operating results for the year Exchange gains and losses from financing activities are recognised in interest income and expense Gains or losses on foreign currency hedges obtained from the ultimate parent company are recognised when realised The fair value of unrealised hedges at the year end is disclosed in the Directors' report if material

Taxation
Taxation is calculated on profits chargeable to UK corporation tax at the current rate applicable

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

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the 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

1. Accounting policies (continued)

Tangible assets and depreciation

Tangible assets are stated at historical purchase cost less accumulated depreciation Depreciation is calculated using the straight line method at rates calculated to write down the cost to the estimated residual value over the estimated useful life Cost comprises purchase cost, together with any incidental expenses of acquisition The annual depreciation rates used for the major assets are

Land & buildings - short leasehold	10 years
Plant & machinery	2-12 years
Fixtures & fittings	2-10 years

Short leasehold land is not depreciated

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value The cost of raw materials, consumables and goods for resale represents purchase cost on a first-in, first-out basis The cost of work in progress and finished goods is the 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 Provisions for obsolete and slow moving stocks are made where appropriate

2. Cash flow statement and related party transactions

The company is a wholly owned subsidiary company of a group headed by Honeywell International Inc , and is included in the consolidated accounts of that company, which are publicly available Consequently, the company has taken advantage of the exemption within FRS 1 "Cash flow statements" (revised 1996) from preparing a cash flow statement

In accordance with the exemptions available under FRS 8 "Related party disclosures", transactions with other wholly owned undertakings within the Honeywell group are not required to be disclosed in these financial statements, on the grounds that this company is a wholly owned subsidiary of Honeywell International Inc , whose accounts are publicly available

3. Turnover

Turnover is derived from markets and classes of business which do not differ substantially from each other

4. Operating profit	2011 £000	*2010 £000*
Operating profit is stated after charging/(crediting)		
Depreciation and amortisation		
Tangible assets - owned	60	*71*
Rental income	(105)	*(110)*
Services income	(64)	*(72)*
Rental charges under operating leases		
Plant and machinery	24	*39*
Other operating leases	315	*315*
Auditors' remuneration		
Audit fees - statutory audit	19	*19*

5. Employees and directors		
Average number of persons employed during the year	number	*number*
(including executive directors)		
Factory and engineering	69	*71*
Selling, servicing and marketing	16	*16*
General and administration	4	*4*
	89	*91*

Notes to the accounts (continued)

for the year ended 31 December 2011

5. Employees and directors (continued)	2011	*2010*
Staff costs	£000	*£000*
Wages and salaries	2,405	*2,337*
Social security costs	246	*236*
Pension costs - defined contributions	73	*64*
	2,724	*2,637*
Director's remuneration		
Aggregate emoluments	176	*214*
Pension	5	*5*
	181	*219*

During the year the highest paid director did not (2010 did not) exercise options over shares of Honeywell International Inc , the ultimate parent company

6. Interest	2011	*2010*
Interest receivable and similar income	£000	*£000*
Other interest receivable	-	*1*

7. Tax on profit on ordinary activities		
Current tax		
UK corporation tax on profits of the year	-	-
Deferred tax		
Other timing differences	10	*(74)*
Accelerated capital allowances	(46)	*12*
Change in tax rate	13	*5*
Tax losses	-	*93*
	(23)	*36*
Tax (credit)/charge on profit on ordinary activities	(23)	*36*

The tax assessed for the year is different to the standard rate of UK corporation tax rate of 26½% (2010 28%) and the differences are explained below

Profit on ordinary activities before tax	50	*882*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26½% (2010 28%)	13	*247*
Effects of		
Expenses not deductible for tax purposes and other permanent differences	6	*6*
Capital allowances for the year in excess of depreciation	15	*(14)*
Other timing differences	(10)	*65*
Group relief not paid for	(24)	*(222)*
Unrelieved tax losses carried forward	-	*(82)*
Total current tax charge for the year	-	-

Factors that may affect future tax charges

Deferred tax is provided at 25% on temporary differences reversing in 2012 and 25% on differences reversing after 2012 There are proposals to reduce UK Corporation Tax in stages to 22% by 2014, but the effect of these proposals is not material

8. Deferred taxation	2011	*2010*
Tax effect of timing differences because of	£000	*£000*
Differences between capital allowances and depreciation	105	*66*
Short term timing differences	63	*79*
Total deferred tax asset 25% (2010 27%)	168	*145*
At 1 January	145	*181*
Credit/(charge) to the profit and loss account (note 7)	23	*(36)*
At 31 December	168	*145*

There are no unprovided amounts relating to deferred tax

9. Tangible assets	Short leasehold land & buildings	Plant & machinery	Fixtures & fittings	Total
Cost	£000	£000	£000	£000
At 1 January 2011	38	1,890	474	2,402
Additions	41	20	-	61
At 31 December 2011	79	1,910	474	2,463
Accumulated depreciation				
At 1 January 2011	12	1,684	460	2,156
Charge for the year	2	48	10	60
At 31 December 2011	14	1,732	470	2,216
Net book value				
At 31 December 2011	65	178	4	247
At 31 December 2010	*26*	*206*	*14*	*246*

10. Stocks	2011	*2010*
	£000	*£000*
Raw materials	1,791	*656*
Work in progress	195	*645*
Finished goods for sale	-	*299*
	1,986	*1,600*

11. Debtors		
Trade debtors	2,033	*900*
Amounts owed by group undertakings	270	*120*
Deferred taxation (note 8)	168	*145*
Other debtors	48	*11*
Prepayments and accrued income	192	*160*
	2,711	*1,336*

Amounts owed by group undertakings are unsecured, repayable on demand and non interest bearing

12. Creditors: amounts falling due within one year	2011	*2010*
	£000	*£000*
Trade creditors	982	*1,290*
Amounts owed to group undertakings	470	*81*
Accruals and deferred income	1,266	*372*
	2,718	*1,743*

Amounts owed to group undertakings are unsecured, repayable on demand and non interest bearing

Notes to the accounts (continued)

for the year ended 31 December 2011

13. Called up share capital

	2011	*2010*
Called up, allotted and fully paid	£000	*£000*
2,000,000 ordinary shares of £1 each	2,000	*2,000*

14. Reconciliation of shareholders' funds and movements on reserves

	Share capital £000	Profit and loss account £000	2011 Total £000	*2010 Total £000*
At 1 January	2,000	2,551	4,551	*3,705*
Profit for the financial year	-	73	73	*846*
At 31 December	2,000	2,624	4,624	*4,551*

15. Operating lease commitments

	2011	*2010*
Annual commitments under non-cancellable operating leases at 31 December	£000	*£000*
Land and buildings		
expiring after five years	315	*315*
Other leases		
expiring in one year	13	*3*
expiring in two to five years	7	*20*
	20	*23*

16. Contingent liabilities

All UK Honeywell group companies have entered into a composite accounting agreement whereby each company has provided a guarantee to the bank This agreement permits the set-off of balances, on a group basis, for interest purposes The maximum liability arising from this arrangement, on a group basis, is the total overdraft balances held by group companies amounting to £568,591,000 (2010 £470,428,000) Positive cash balances held in the group exceeded the overdraft balances in 2011 and 2010

17. Ultimate parent undertakings

The immediate parent undertaking is RMG Regel + Messtechnik GmbH, a company incorporated in Germany

The ultimate parent undertaking and controlling party is Honeywell International Inc , a company incorporated in the USA, which is the smallest and largest group to consolidate these accounts Copies of these accounts are publicly available and can be obtained from Corporate Publications, PO Box 2245, Morristown, New Jersey 07962-2245, USA or from the Internet at www honeywell com