

**SENSTRONICS LIMITED**

**Report and Financial Statements**

**31 December 2007**

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**REPORT AND FINANCIAL STATEMENTS 2007**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

M J Powers  
K J Kuckelhahn  
F Vassort (Appointed 22 January 2007)  
M B Krol (Appointed 20 January 2007)

**SECRETARY**

WCPHD Secretaries Limited

**REGISTERED OFFICE**

5 Floor  
Alder Castle  
10 Noble Street  
London  
EC2V 7QJ

**BANKERS**

HSBC  
49 Corn Street  
Bristol  
BS99 7PP

**SOLICITORS**

WilmerHale  
Alder Castle  
10 Noble Street  
London  
EC2V 7QJ

**AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Newcastle upon Tyne

## **DIRECTORS' REPORT**

The directors present their annual report on the affairs of the company, together with the financial statements and independent auditors' report for the company for the year ended 31 December 2007

### **PRINCIPAL ACTIVITY**

The company is principally engaged in the design, manufacture and distribution of high pressure sensors

### **BUSINESS REVIEW, RESULTS AND DIVIDENDS**

2007 was a good year for Senstronics, seeing the number of units sold increase by more than 80%, which was in line with last years forecasted numbers. Ultimately, over a two year period we have seen units sold increase by greater than 200%

Senstronics' desire to be an environmentally friendly manufacturer has also lead to internal energy and utilites savings which has further improved profitability. The energy saving, with the implementation of new working practices, resulted in a 23% reduction against budget.

Other key savings have been in areas such as the finalisation of operating and finance leases which will continue in 2008.

A detailed review of direct production costs led to a number of projects resulting in a twofold reduction in scrap, a 20% reduction in our chemical consumption and reduced manning time requirements. This collectively resulted in total savings in 2007 of £400k vs 2006.

We are now producing twice as much as in 2005, with direct labour costs remaining fairly constant.

Working capital continues to be a KPI, and we have seen some excellent improvements here. Our stock turns have improved from 3 at the end of 2006 to 7 at the end of 2007, and further improvement is planned in 2008.

The company's loss for the financial year was £856,924 (2006 £2,062,287). The directors do not recommend the payment of a dividend (2006 £nil). The ongoing losses are in line with the directors' expectations given the development phase of the company.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The company faces industry competition, particularly from the Far East, but has invested heavily in capital equipment, and has a strong brand name so the directors feel the company is in good standing in the market place.

Whilst we have seen raw material commodity pricing increase (steel), we have been able to mitigate this through achieving volume price breaks. The current weak US dollar is also providing Senstronics with additional material savings.

Senstronics has chosen to trade in GBP with both of its JV partners so as to place the sales currency risks with them.

Treasury management is considered to be a high priority and is monitored on an ongoing basis in conjunction with the ultimate parent companies so as to optimise cash flow within the joint venture.

### **FUTURE PROSPECTS**

The directors expect another year of sold growth from 2007 to 2008, with unit sales increasing by a further 50%.

## DIRECTORS' REPORT (continued)

### DIRECTORS

The membership of the Board is set out below

M J Powers	
K J Kuckelhahn	
F Vassort	(Appointed 22 January 2007)
M B Krol	(Appointed 20 January 2007)
S Breizka	(Resigned 22 January 2007)
V Rosenkilde	(Resigned 20 January 2007)

### RESEARCH AND DEVELOPMENT

During the year the company continued its development of high pressure sensors. The associated costs amounted to £48,000 (2006 £127,500) and have been charged to the profit and loss account. This continued investment, which is forecast to grow in 2008, supports the opening of new market potential which will allow Senstronics to maintain its current growth rate.

### SUPPLIER PAYMENT POLICY

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the company at 31 December 2007 were equivalent to 29 (2006 31) days' purchases, based on the average daily amount invoiced by suppliers during the year.

### AUDIT INFORMATION

Each of the persons who is a director at the date of approval of this report confirms that

- 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 reasonable steps to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The information is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

### DIRECTORS' INDEMNITIES

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

### AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



M J Powers  
Director

Date 1st April 2008

## STATEMENT OF DIRECTORS' RESPONSIBILITIES


The directors are responsible for preparing the Annual 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). 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 judgements and estimates that are reasonable and prudent, 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 the financial statements comply with the Companies Act 1985. 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.

Approved by the Board of Directors  
and signed on behalf of the Board



M J Powers  
Director

Date 1st April 2008

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SENSTRONICS LIMITED**

We have audited the financial statements of Senstronics Limited for the year ended 31 December 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes 1 to 24. 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 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 auditors**

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 judgements 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss 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.

  
Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne, England

Date 30 April 2008

**PROFIT AND LOSS ACCOUNT****Year ended 31 December 2007**

	Note	£	2007 £	£	2006 £
<b>TURNOVER</b>	2		3,211,665		1,970,668
Cost of sales (including in 2007 an exceptional stock provision release of £85,430)	3		(1,672,565)		(1,408,790)
<b>GROSS PROFIT</b>			<u>1,539,100</u>		<u>561,878</u>
Distribution costs		(102,328)		(106,130)	
Administrative expenses		(2,255,163)		(2,453,867)	
			<u>(2,357,491)</u>		<u>(2,559,997)</u>
<b>OPERATING LOSS</b>	3		(818,391)		(1,998,119)
Interest receivable and similar income			2,556		-
Interest payable and similar charges	6		<u>(41,089)</u>		<u>(64,168)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			(856,924)		(2,062,287)
Tax on loss on ordinary activities	7		<u>-</u>		<u>-</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>	15, 16		<u>(856,924)</u>		<u>(2,062,287)</u>

All activities derive from continuing operations

The company has no recognised gains or losses for the current or prior year other than the loss shown above and therefore no separate statement of total recognised gains and losses has been presented



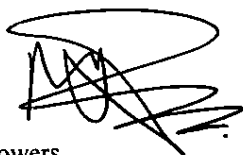
# SENSTRONICS LIMITED

## BALANCE SHEET 31 December 2007

	Note	£	2007 £	£	2006 £
<b>FIXED ASSETS</b>					
Tangible assets	8		1,912,563		2,215,633
<b>CURRENT ASSETS</b>					
Stocks	9	288,897		92,682	
Debtors	10	596,485		947,081	
Cash at bank and in hand		842,332		9,235	
			<u>1,727,714</u>	<u>1,048,998</u>	
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(796,034)</u>		<u>(654,424)</u>	
<b>NET CURRENT ASSETS</b>			<u>931,680</u>		<u>394,574</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			2,844,243		2,610,207
<b>CREDITORS: amounts falling due after more than one year</b>	12		<u>(232,800)</u>		<u>(2,781,840)</u>
<b>NET ASSETS/(LIABILITIES)</b>			<u>2,611,443</u>		<u>(171,633)</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14		7,728,284		7,691,884
Share premium account	15		14,274,372		10,670,772
Profit and loss account	15		<u>(19,391,213)</u>		<u>(18,534,289)</u>
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)</b>	16		<u>2,611,443</u>		<u>(171,633)</u>

The financial statements were approved by the Board of Directors on 1st April 2008

Signed on behalf of the Board of Directors



M J Powers  
Director

**CASH FLOW STATEMENT**  
**Year ended 31 December 2007**

	Note	£	2007 £	£	2006 £
<b>Net cash outflow from operating activities</b>	18		(2,505,892)		(280,222)
<b>Returns on investments and servicing of finance</b>					
Interest received		2,556		-	
Interest paid		-		(22,027)	
Interest element of finance lease rentals		(41,089)		(42,141)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(38,533)		(64,168)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(21,945)		(307,230)	
Sale of tangible fixed assets		-		2,097	
			(21,945)		(305,133)
<b>Cash outflow before financing</b>			(2,566,370)		(649,523)
<b>Financing</b>					
Issue of ordinary share capital		3,640,000		438,494	
Capital element of finance lease rental payments		(240,533)		(255,079)	
Net cash inflow from financing			3,399,467		183,415
<b>Increase/(decrease) in cash</b>	19		833,097		(466,108)

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 December 2007

#### 1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

##### **Basis of accounting**

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

##### **Turnover**

Turnover represents the value of sales of high pressure sensors to third parties, net of trade discounts and value added tax. Turnover is recognised when the sensors are despatched to third parties.

##### **Research and development**

Expenditure incurred on research and development is charged to the profit and loss account as incurred.

##### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at acquisition cost less provision for impairment. Depreciation is charged to the profit and loss account so as to write off the cost of tangible fixed assets to their estimated residual value over their estimated useful economic lives using the straight line method.

The estimated useful economic lives are as follows:

Plant and machinery	3-10 years
Fixtures, fittings and office equipment	3 years

##### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost comprises the purchase cost of raw materials consumed plus all directly related conversion costs. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

##### **Leases**

Assets held under hire purchase or finance lease contracts are capitalised and included in tangible fixed assets at their fair value. Each asset is depreciated over its estimated useful life. Obligations relating to such contracts net of finance charges in respect of future periods are included as appropriate under creditors. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance.

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

##### **Foreign currencies**

Monetary assets and liabilities held at the balance sheet date and denominated in foreign currency are translated at the rate of exchange prevailing at that date. Foreign currency transactions entered into during the year are translated at the rate of exchange prevailing at the date of the transaction. Exchange differences arising on these transactions are accounted for through the profit and loss account.

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 December 2007

#### 1. ACCOUNTING POLICIES (continued)

##### Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date as reduced by the surrender of consortium relief to the company's consortium members at nil cost

Deferred taxation 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. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

##### Pensions

The company operates an independently administered money purchase (defined contribution) pension scheme for all of its employees. Pension costs are recognised in the profit and loss account as they fall due.

#### 2. TURNOVER BY DESTINATION

	2007 £	2006 £
United Kingdom	628,128	398,056
Rest of Europe	1,087,549	287,678
Rest of World	1,495,988	1,284,934
	<u>3,211,665</u>	<u>1,970,668</u>

In the opinion of the directors all turnover is attributable to one continuing activity.

#### 3. OPERATING LOSS

	2007 £	2006 £
Operating loss is stated after charging/(crediting)		
Operating lease rentals		
- Plant and machinery	22,208	88,352
- Other	165,686	163,304
Depreciation of tangible fixed assets		
- owned	216,571	200,710
- held under finance leases	108,444	117,337
Research and development	48,000	127,500
Auditors' remuneration for statutory audit services	14,000	26,350
Loss on disposal of fixed assets	-	167,069
Foreign exchange (gains)/losses	(24,552)	22,952
Exceptional release of stock provision	<u>(85,430)</u>	<u>-</u>

Cost of sales include £85,430 (2006: £Nil) in respect of an exceptional release of a stock provision which was created in 2006 on slow moving stock items.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2007**

**4. DIRECTORS' EMOLUMENTS**

	2007 £	2006 £
Aggregate emoluments	210,256	132,302
Pension contributions to money purchase schemes	-	-
	<u>210,256</u>	<u>132,302</u>

The highest paid director received the following emoluments

	2007 £	2006 £
Aggregate emoluments	130,901	132,302
Pension contributions to money purchase schemes	-	-
	<u>130,901</u>	<u>132,302</u>

During the year none of the directors participated in money purchase schemes (2006 none)

**5. STAFF COSTS AND EMPLOYEE INFORMATION**

Total staff costs (including directors) for the year were as follows

	2007 £	2006 £
Wages and salaries	1,184,155	1,197,474
Social security costs	101,262	97,792
Other pension costs	70,532	68,418
	<u>1,355,949</u>	<u>1,363,684</u>

The average monthly number of persons (including executive directors) employed by the company during the year was as follows

	2007 No.	2006 No
Directors	4	4
Finance and administration	5	5
Operations	34	35
	<u>43</u>	<u>44</u>

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	2007 £	2006 £
Interest payable on bank loans and overdrafts	-	22,027
Finance leases	41,089	42,141
	<u>41,089</u>	<u>64,168</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2007**

**7. TAXATION ON LOSS ON ORDINARY ACTIVITIES**

	2007 £	2006 £
<i>a) Analysis of tax credit on ordinary activities</i>		
Current tax	-	-
Adjustment in respect of prior periods	-	-
	<u>-</u>	<u>-</u>
Total current tax	<u>-</u>	<u>-</u>

*b) Factors affecting tax credit for the year*

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows

	2007 £	2006 £
Loss on ordinary activities before tax	(856,924)	(2,062,287)
Tax on loss on ordinary activities at standard rate of corporation tax in the UK of 30% (2006 30%)	(257,077)	(618,686)

*Effect of*

Expenses not deductible for tax purposes	654	989
Capital allowances for the period in excess of depreciation	(135,779)	(163,530)
Other timing differences	58	-
Consortium relief surrendered for nil consideration	392,144	781,227
	<u>-</u>	<u>-</u>
Current tax credit for period (note 7(a))	<u>-</u>	<u>-</u>

*c) Factors that may affect the future charges*

Future taxation charges are expected to be impacted by the utilisation of tax losses carried forward

The company has an unprovided deferred tax asset amounting to £3,829,170 (2006 £4,277,592). The asset has not been recognised in the financial statements due to uncertainty over its recovery in the future. The losses element of the unprovided deferred tax asset has reduced due to a change in the UK corporation tax rate from 30% to 28%.

The unprovided deferred tax asset is as follows

	2007 £	2006 £
Accelerated capital allowances	(178,489)	(368,207)
Losses	(3,648,759)	(3,909,385)
Other short term timing differences	(1,922)	-
	<u>(3,829,170)</u>	<u>(4,277,592)</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2007**

**8. TANGIBLE FIXED ASSETS**

	<b>Plant and machinery £</b>	<b>Fixtures, fittings and office equipment £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 2007	3,869,832	-	3,869,832
Additions	18,750	3,195	21,945
At 31 December 2007	<u>3,888,582</u>	<u>3,195</u>	<u>3,891,777</u>
<b>Accumulated depreciation</b>			
At 1 January 2007	1,654,199	-	1,654,199
Charge for the year	324,837	178	325,015
At 31 December 2007	<u>1,979,036</u>	<u>178</u>	<u>1,979,214</u>
<b>Net book value</b>			
At 31 December 2007	<u>1,909,546</u>	<u>3,017</u>	<u>1,912,563</u>
At 31 December 2006	<u>2,215,633</u>	<u>-</u>	<u>2,215,633</u>
Assets held under finance leases and capitalised in plant and machinery			
		<b>2007 £</b>	<b>2006 £</b>
Net book value		<u>542,524</u>	<u>704,350</u>

**9. STOCKS**

	<b>2007 £</b>	<b>2006 £</b>
Raw materials and consumables	236,315	45,926
Work in progress	31,863	13,795
Finished goods	20,719	32,961
	<u>288,897</u>	<u>92,682</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2007**

**10. DEBTORS**

	2007 £	2006 £
Trade debtors	57,417	145,598
Amounts owed by related undertakings	391,377	571,883
Other debtors	4,774	179,304
Prepayments and accrued income	142,917	50,296
	<u>596,485</u>	<u>947,081</u>

**11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2007 £	2006 £
Finance leases (note 13)	157,792	240,533
Trade creditors	231,825	146,144
Amounts owed to related undertakings	264,469	76,282
Other taxation and social security	91,595	29,807
Other creditors	-	24,590
Accruals and deferred income	50,353	137,068
	<u>796,034</u>	<u>654,424</u>

The bank holds a fixed and floating charge over the company's assets for any future borrowings

**12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2007 £	2006 £
Finance leases (note 13)	-	157,792
Amounts owed to group undertakings	-	2,250,000
Accruals and deferred income	232,800	374,048
	<u>232,800</u>	<u>2,781,840</u>

**13. BORROWINGS**

Finance leases are repayable as follows

	2007 £	2006 £
In one year or less	157,792	240,533
In more than one, but not more than five years	-	157,792
	<u>157,792</u>	<u>398,325</u>

Assets held under finance leases are secured over the assets to which they relate



**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2007**

**14. CALLED UP SHARE CAPITAL**

	2007 £	2006 £
<b>Authorised</b>		
800,438,494 (2006 800,438,494) ordinary shares of £0.01 each	8,004,385	8,004,385
<b>Called up, allotted and fully paid</b>		
772,828,391 (2006 769,188,391) ordinary shares of £0.01 each	7,728,284	7,691,884

During the year the company issued 3,640,000 ordinary £0.01 shares at a premium of £0.99 per share

**15. RESERVES**

	Share premium account £	Profit and loss account £
At 1 January 2007	10,670,772	(18,534,289)
Share capital issued during the year	3,603,600	-
Loss for the financial year	-	(856,924)
Balance at 31 December 2007	14,274,372	(19,391,213)

**16. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' SURPLUS/(DEFICIT)**

	2007 £	2006 £
Loss for the financial year	(856,924)	(2,062,287)
Net proceeds of issue of ordinary share capital	3,640,000	438,494
Intercompany loan waiver	-	909,581
Equity shareholders' (deficit)/surplus as at 1 January	(171,633)	542,579
Equity shareholders surplus/(deficit) as at 31 December	2,611,443	(171,633)

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2007**

**17. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/FUNDS**

	2007 £	2006 £
Increase/(decrease) in cash in the year	833,097	(466,108)
Cash outflow from lease financing	240,533	255,079
	<u>1,073,630</u>	<u>(211,029)</u>
Movement in net debt in the year	(389,090)	(178,061)
Opening net debt	<u>684,540</u>	<u>(389,090)</u>
Closing net funds/(debt)	<u>684,540</u>	<u>(389,090)</u>

**18. RECONCILIATION OF OPERATING LOSS TO CASH OUTFLOW FROM OPERATING ACTIVITIES**

	2007 £	2006 £
Operating loss	(818,391)	(1,998,119)
Depreciation	325,015	318,047
Loss on disposal of tangible fixed assets	-	167,069
(Increase)/decrease in stock	(196,215)	213,969
Decrease/(increase) in debtors	350,596	(166,314)
(Decrease)/increase in creditors	(2,166,897)	1,185,126
Net cash outflow from operating activities	<u>(2,505,892)</u>	<u>(280,222)</u>

**19. ANALYSIS OF NET (DEBT)/FUNDS**

	At 1 January 2007 £	Cash flows £	At 31 December 2007 £
Cash at bank and in hand	9,235	833,097	842,332
Finance leases	(398,325)	240,533	(157,792)
	<u>(389,090)</u>	<u>1,073,630</u>	<u>684,540</u>

**20. PENSIONS**

The company contributes to an individual money purchase pension scheme for the benefit of the employees and directors. The assets of the schemes are in funds independent from those of the company. The amount outstanding as at 31 December 2007 was £6,866 (2006 £6,672).

**21. CAPITAL COMMITMENTS**

The company had no capital commitments contracted for but not provided for in the financial statements as at 31 December 2007 (2006 £nil).

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 December 2007

#### 22. FINANCIAL COMMITMENTS

The company has annual commitments under operating lease arrangements expiring as follows

	2007 Land and buildings £	2007 Other £	2007 Total £	2006 Land and buildings £	2006 Other £	2006 Total £
Within one year	-	2,080	2,080	-	40,703	40,703
Within two to five years	-	-	-	-	-	-
In five years or more	164,220	-	164,220	163,304	-	163,304
	<u>164,220</u>	<u>2,080</u>	<u>166,300</u>	<u>163,304</u>	<u>40,703</u>	<u>204,007</u>

#### 23. RELATED PARTY TRANSACTIONS

Included within debtors falling due after one year is £21,014 owed by (2006 £2,250,000 owed to) the immediate parent undertaking, Senstronics Holdings Limited

Danfoss A/S and Danaher Corporation each control 50% of the share capital of Senstronics Holdings Limited. At the year end, the company was entitled for compensation under a joint venture agreement between Danfoss A/S, Launchchange Limited (a subsidiary of Danaher Corporation) and Senstronics Holdings Limited for not meeting the volume targets of the Business Plan. The amounts receivable from Danfoss A/S and Launchchange Limited at the year end amounted to £270,083 (2006 £225,633) and £23,408 (2006 £148,415) respectively. These amounts are shown within debtors (note 10) and £232,800 (2006 £Nil) is included in deferred income due after one year (note 12).

The following related party transactions occurred during the year with companies that are under the control of Danfoss A/S or Danaher Corporation

Sales of £614,163 (2006 £290,477) were made to Danaher UK Industries Limited. At 31 December 2007, a balance of £62,603 was due to (2006 £2,830 owed from) Danaher UK Industries due to payments made in advance. Purchases of £200,002 (2006 £231,957) were made to Danaher UK Industries Limited and a balance of £13,801 (2006 £76,282) was owed to Danaher UK Industries at 31 December 2007.

Sales of £66,310 (2006 £18,936) were made to Danaher Setra-ICG (Tianjin) Co Limited. The balance outstanding at 31 December 2007 was £7,667 (2006 £8,071).

Sales of £6,478 (2006 £Nil) were made to Danaher ICG Japan Co Limited. The balance outstanding at 31 December 2007 was £Nil (2006 £Nil).

Sales of £87,422 (2006 £18,873) were made to Setra Systems Inc. The balance outstanding at 31 December 2007 was £5,120 (2006 £8,616).

Sales of £1,322,990 (2006 £265,075) were made to Danfoss A/S. The balance outstanding at 31 December 2007 was £357,576 (2006 £29,799).

Sales of £1,419,881 (2006 £949,801) were made to Gems Sensors Inc. At 31 December 2007, a balance of £181,221 was owed to (2006 £149,208 owed from) Gems Sensors Inc due to payments made in advance.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2007**

**24 IMMEDIATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY**

The company is a 100% subsidiary of Senstronics Holdings Limited, a company incorporated in England and Wales

Senstronics Holdings Limited is exempt from preparing group consolidated financial statements by virtue of the group qualifying as a medium group under Section 248 of the Companies Act 1985

Copies of Senstronics Holdings Limited financial statements can be obtained from the Registered Office at 7 Floor, Beaufort House, 15 St Botolph Street, London, EC3A 7NJ

The ultimate controlling parties are Danfoss A/S and Danaher Corporation, who each control 50% of the share capital of Senstronics Holdings Limited