

REGISTERED NUMBER: 05764775 (England and Wales)

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008
FOR
NIBE ENERGY SYSTEMS LIMITED**

THURSDAY



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NIBE ENERGY SYSTEMS LIMITED

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NIBE ENERGY SYSTEMS LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2008**

DIRECTORS:

P Hurley
K O Ekermo
D Myers

SECRETARY:

P Hurley

REGISTERED OFFICE:

35 Wilkinson Street
Sheffield
South Yorkshire
S10 2GB

REGISTERED NUMBER:

05764775 (England and Wales)

AUDITORS:

PKF (UK) LLP
2nd Floor
Fountain Precinct
Balm Green
Sheffield
South Yorkshire
S1 2JA

NIBE ENERGY SYSTEMS LIMITED

DIRECTORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

The directors present their report with the financial statements of the company for the year ended 31 December 2008.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the import and sale of geothermal heating systems.

REVIEW OF BUSINESS

2008 saw our turnover grow by 218% on 2007 and 157% over budget with an operating margin of 14.3%. We have seen strong growth in all our products especially in exhaust air and new packs for outdoor air heat pumps and we expect this to continue in 2009. There has been strong activity from housing developers for social and affordable homes even though there has been a reduction in the UK housing market. The UK has seen increases in energy prices again in 2008, the Governments commitment to reduce carbon, the introduction of the Code for Sustainable Homes and Local Authority planning requirements asking for minimum carbon reductions. This has seen an increased interest in renewable energy. We have been working closely with developers to offer them sustainable solutions and guide them through the minefield of current UK regulations.

Our work force has grown from 8 staff to 15 at the end of 2008, with this increasing to 21 people in the first quarter of 2009. We have strengthened our technical department with dedicated Field Service Engineers to support installers and customers. We have also started to develop our network of NIBE Service Partners.

Our training of our products has grown with our own purpose built training academy in Chesterfield with all our models working. We can offer training on all our products and service training, no longer relying on using the Market Centre in Sweden. We have trained over 500 installers in 2008 between Level 1 & 2 and completion of level 2 in conjunction with a successful installation of our units gives the installer the opportunity to become a NIBE Accredited Installer.

Our distributors have committed to hold substantial stocks of our products, and this enabled our distributors to grow their sales and customers to have availability of our products. We have changed our logistics partner in 2008 and now have our UK stock warehoused in Derbyshire close to our offices.

Our order book for 2009 is very healthy with many specifications for our units, we also plan to introduce new units into the UK during 2009. Our turnover budget for 2009 is increased over 2008 and we are confident we will achieve this.

DIVIDENDS

No interim dividend was paid during the year.

A final dividend of £627.46 per share was declared for the year ended 31 December 2007.

The directors recommend that a final dividend of £2615.71 per share be proposed for the year ended 31 December 2008.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2008 to the date of this report.

P Hurley
K O Ekermo

Other changes in directors holding office are as follows:

D Myers was appointed as a director after 31 December 2008 but prior to the date of this report

NIBE ENERGY SYSTEMS LIMITED

DIRECTORS REPORT

FOR THE YEAR ENDED 31 DECEMBER 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 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

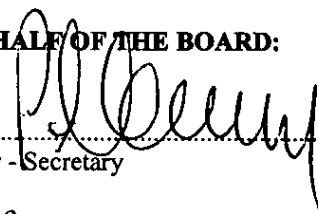
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) 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 in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

ON BEHALF OF THE BOARD:


.....
P Hurley - Secretary

Date: 9-4-09

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF NIBE ENERGY SYSTEMS LIMITED

We have audited the financial statements of NIBE Energy Systems Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet, and the related notes. The 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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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 have been 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 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 2008 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.

PKF (UK) LLP

PKF (UK) LLP
REGISTERED AUDITORS
Sheffield, UK

Date: 24 April 2009

NIBE ENERGY SYSTEMS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008**

| | Notes | 2008 £ | 2007 £ |
|--|-------|------------------|------------------|
| TURNOVER | | 7,594,396 | 2,383,963 |
| Cost of sales | | <u>5,485,718</u> | <u>1,606,649</u> |
| GROSS PROFIT | | 2,108,678 | 777,314 |
| Administrative expenses | | <u>1,018,811</u> | <u>485,289</u> |
| | | 1,089,867 | 292,025 |
| Other operating income | | <u>3,150</u> | <u>-</u> |
| OPERATING PROFIT | 3 | 1,093,017 | 292,025 |
| Interest receivable and similar income | | <u>28</u> | <u>2,630</u> |
| | | 1,093,045 | 294,655 |
| Interest payable and similar charges | 4 | <u>(1,521)</u> | <u>1,766</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 1,094,566 | 292,889 |
| Tax on profit on ordinary activities | 5 | <u>222,663</u> | <u>83,734</u> |
| PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION | | <u>871,903</u> | <u>209,155</u> |
| PROFIT FOR THE YEAR | | 871,903 | 209,155 |
| Retained profit/(deficit) brought forward | | <u>204,330</u> | <u>(4,825)</u> |
| | | 1,076,233 | 204,330 |
| Dividends | 6 | <u>(62,747)</u> | <u>-</u> |
| RETAINED PROFIT CARRIED FORWARD | | <u>1,013,486</u> | <u>204,330</u> |

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year.

DIVIDENDS

Dividends are referred to in note 6 and note 7.

TOTAL RECOGNISED GAINS AND LOSSES

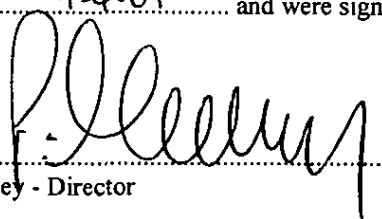
The company has no recognised gains or losses other than the profits for the current year or previous year.

NIBE ENERGY SYSTEMS LIMITED

**BALANCE SHEET
31 DECEMBER 2008**

| | Notes | 2008 £ | 2007 £ |
|--|-------|------------------|----------------|
| FIXED ASSETS | | | |
| Tangible assets | 8 | 108,201 | 80,094 |
| CURRENT ASSETS | | | |
| Stocks | 9 | 318,032 | 169,918 |
| Debtors | 10 | 1,895,152 | 349,884 |
| Cash at bank and in hand | | <u>663,565</u> | <u>338,913</u> |
| | | 2,876,749 | 858,715 |
| CREDITORS | | | |
| Amounts falling due within one year | 11 | <u>1,971,364</u> | <u>714,379</u> |
| NET CURRENT ASSETS | | <u>905,385</u> | <u>144,336</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,013,586 | 224,430 |
| CREDITORS | | | |
| Amounts falling due after more than one year | 12 | <u>-</u> | <u>20,000</u> |
| NET ASSETS | | <u>1,013,586</u> | <u>204,430</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 15 | 100 | 100 |
| Profit and loss account | | <u>1,013,486</u> | <u>204,330</u> |
| SHAREHOLDERS' FUNDS | 18 | <u>1,013,586</u> | <u>204,430</u> |

The financial statements were approved and authorised for issue by the Board of Directors on 9-4-09 and were signed on its behalf by:


P Hurley - Director

NIBE ENERGY SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES

Accounting convention

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

Financial Reporting Standard Number 1

Exemption has been taken from preparing a cash flow statement on the grounds that the company is a subsidiary undertaking where 90 per cent or more of the voting rights are controlled within the group, and consolidated financial statements are publicly available.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

| | |
|-----------------------|----------------------------------|
| Plant and machinery | - 33% on cost and 25% on cost |
| Fixtures and fittings | - 20% on cost |
| Motor vehicles | - 25% on cost |
| Computer equipment | - 33% on cost |

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

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

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

At the year end £6,000 contributions (2007 - £1,759) were unpaid.

2. STAFF COSTS

| | 2008 | 2007 |
|-----------------------|----------------|----------------|
| | £ | £ |
| Wages and salaries | 482,677 | 210,763 |
| Social security costs | 54,431 | 24,134 |
| Other pension costs | <u>16,431</u> | <u>11,057</u> |
| | <u>553,539</u> | <u>245,954</u> |

NIBE ENERGY SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2008

2. STAFF COSTS - continued

The average monthly number of employees during the year was as follows:

| | 2008 | 2007 |
|--------------------------|-----------|----------|
| Administration | 2 | 2 |
| Selling and distribution | <u>10</u> | <u>3</u> |
| | <u>12</u> | <u>5</u> |

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

| | 2008 | 2007 |
|--|--------------|--------------|
| | £ | £ |
| Other operating leases | 44,088 | 21,747 |
| Depreciation - owned assets | 34,642 | 12,310 |
| (Profit)/Loss on disposal of fixed assets | (280) | 24 |
| Auditors' remuneration | 7,080 | 5,000 |
| Foreign exchange differences | <u>726</u> | <u>16</u> |
| Directors' emoluments | 80,173 | 76,320 |
| Directors' pension contributions to money purchase schemes | <u>7,500</u> | <u>5,750</u> |

The number of directors to whom retirement benefits were accruing was as follows:

| | | |
|------------------------|----------|----------|
| Money purchase schemes | <u>1</u> | <u>1</u> |
|------------------------|----------|----------|

4. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2008 | 2007 |
|------------------------------|----------------|--------------|
| | £ | £ |
| Bank interest | 94 | 746 |
| Parent company loan interest | <u>(1,615)</u> | <u>1,020</u> |
| | <u>(1,521)</u> | <u>1,766</u> |

5. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

| | 2008 | 2007 |
|--------------------------------------|-----------------|---------------|
| | £ | £ |
| Current tax: | | |
| UK corporation tax | 306,397 | 83,734 |
| Corporation tax overprovided | <u>(83,734)</u> | <u>-</u> |
| Tax on profit on ordinary activities | <u>222,663</u> | <u>83,734</u> |

UK corporation tax has been charged at 28% (2007 - 30%).

NIBE ENERGY SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2008

5. TAXATION - continued

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

| | 2008 £ | 2007 £ |
|--|------------------|----------------|
| Profit on ordinary activities before tax | <u>1,094,566</u> | <u>292,889</u> |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2007 - 30%) | 306,478 | 87,867 |
| Effects of: | | |
| Excess capital allowances over depreciation and loss on disposal | (6,481) | (3,202) |
| Disallowable expenses | 1,052 | 599 |
| Losses brought forward | - | (1,530) |
| CT rate change during period | 5,348 | - |
| CT overprovided for 2007 | <u>(83,734)</u> | <u>-</u> |
| Current tax charge | <u>222,663</u> | <u>83,734</u> |

6. DIVIDENDS

| | 2008 £ | 2007 £ |
|----------------------------|---------------|-----------|
| Ordinary shares of £1 each | | |
| Final | <u>62,747</u> | <u>-</u> |

7. DIVIDENDS

A final dividend of £62,747 was declared and approved for the year ended 31 December 2007.

A final dividend of £2615.71 per share will be proposed for the year ended 31 December 2008.

NIBE ENERGY SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2008**

8. TANGIBLE FIXED ASSETS

| | Plant and machinery £ | Fixtures and fittings £ | Motor vehicles £ | Computer equipment £ | Totals £ |
|-----------------------|-----------------------------|----------------------------------|------------------------|----------------------------|----------------|
| COST | | | | | |
| At 1 January 2008 | 12,543 | 40,799 | 269 | 39,098 | 92,709 |
| Additions | 3,749 | 38,260 | - | 21,531 | 63,540 |
| Disposals | - | - | - | (791) | (791) |
| At 31 December 2008 | <u>16,292</u> | <u>79,059</u> | <u>269</u> | <u>59,838</u> | <u>155,458</u> |
| DEPRECIATION | | | | | |
| At 1 January 2008 | 1,045 | 3,223 | 17 | 8,330 | 12,615 |
| Charge for year | <u>5,430</u> | <u>12,194</u> | <u>67</u> | <u>16,951</u> | <u>34,642</u> |
| At 31 December 2008 | <u>6,475</u> | <u>15,417</u> | <u>84</u> | <u>25,281</u> | <u>47,257</u> |
| NET BOOK VALUE | | | | | |
| At 31 December 2008 | <u>9,817</u> | <u>63,642</u> | <u>185</u> | <u>34,557</u> | <u>108,201</u> |
| At 31 December 2007 | <u>11,498</u> | <u>37,576</u> | <u>252</u> | <u>30,768</u> | <u>80,094</u> |

9. STOCKS

| | 2008 £ | 2007 £ |
|----------------|----------------|----------------|
| Finished goods | <u>318,032</u> | <u>169,918</u> |

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2008 £ | 2007 £ |
|------------------------------------|------------------|----------------|
| Trade debtors | 1,690,512 | 252,649 |
| Amounts owed by group undertakings | 145,835 | 14,931 |
| Other debtors | 21,245 | 56,921 |
| Prepayments | <u>37,560</u> | <u>25,383</u> |
| | <u>1,895,152</u> | <u>349,884</u> |

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2008 £ | 2007 £ |
|---|------------------|----------------|
| Bank loans and overdrafts (see note 13) | 1 | - |
| Trade creditors | 134,925 | 91,389 |
| Amounts owed to group undertakings | 1,218,500 | 447,994 |
| Tax | 306,397 | 83,734 |
| Social security and other taxes | 20,809 | 26,839 |
| VAT | 59,217 | 23,902 |
| Other creditors | 84,711 | 28,402 |
| Payroll creditors | - | 44 |
| Dividends | 62,747 | - |
| Accruals and deferred income | <u>84,057</u> | <u>12,075</u> |
| | <u>1,971,364</u> | <u>714,379</u> |

NIBE ENERGY SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2008

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

| | 2008 £ | 2007 £ |
|---------------------------|-----------|---------------|
| Other loans (see note 13) | <u>-</u> | <u>20,000</u> |

13. LOANS

An analysis of the maturity of loans is given below:

| | 2008 £ | 2007 £ |
|---|-----------|---------------|
| Amounts falling due within one year or on demand: | | |
| Bank overdrafts | <u>1</u> | <u>-</u> |
| Amounts falling due between one and two years: | | |
| Other loans - 1-2 years | <u>-</u> | <u>20,000</u> |

14. OPERATING LEASE COMMITMENTS

At 31 December the company had annual commitments under non-cancellable operating leases as follows:

| | Land and buildings | | Plant and machinery | |
|----------------------------|-----------------------|---------------|------------------------|---------------|
| | 2008 £ | 2007 £ | 2008 £ | 2007 £ |
| Expiring: | | | | |
| Between one and five years | <u>43,000</u> | <u>41,500</u> | <u>50,160</u> | <u>22,835</u> |

15. CALLED UP SHARE CAPITAL

| | | | | |
|----------------------|-----------------|-------------------|----------------|----------------|
| Authorised: | | | | |
| Number: | Class: | Nominal value: | 2008 £ | 2007 £ |
| 100,000 | Ordinary | £1 | <u>100,000</u> | <u>100,000</u> |
| Allotted and issued: | | | | |
| Number: | Class: | Nominal value: | 2008 £ | 2007 £ |
| 100 | Share capital 1 | £1 | <u>100</u> | <u>100</u> |

16. ULTIMATE PARENT COMPANY

The ultimate parent company is NIBE Industrier AB, a company incorporated in Sweden. The parent undertaking of the largest and smallest group for which consolidated accounts are prepared is NIBE Industrier AB. Consolidated accounts are available from NIBE Industrier, Box 14, Järnvägsgränd 40, 285 21 Markaryd, Sweden or www.nibe.com.

NIBE ENERGY SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2008

17. RELATED PARTY DISCLOSURES

In accordance with Financial Reporting Standard No 8 "Related Party Disclosures", transactions with other undertakings within, and investee related parties to, the NIBE AB group have not been disclosed in these financial statements.

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2008 £ | 2007 £ |
|--|-------------------------|-----------------------|
| Profit for the financial year | 871,903 | 209,155 |
| Dividends | <u>(62,747)</u> | <u>-</u> |
| Net addition to shareholders' funds | 809,156 | 209,155 |
| Opening shareholders' funds | <u>204,430</u> | <u>(4,725)</u> |
| Closing shareholders' funds | <u><u>1,013,586</u></u> | <u><u>204,430</u></u> |