

Registered Number: 1292827

Sauter Automation Limited

**Annual Report
for the year ended 31 December 2003**



Sauter Automation Limited

Annual Report for the year ended 31 December 2003

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Sauter Automation Limited

Directors and advisers

Executive directors

P Swindells
J C Buckley

Non-executive director

R Weber

Secretary and registered office

J C Buckley
Inova House
Hampshire International Business Park
Crockford Lane
Chineham
Basingstoke
Hants RG24 8WH

Auditors

PricewaterhouseCoopers LLP
9 Greyfriars Road
Reading
Berkshire
RG1 1JG

Solicitors

Shoosmiths

Bankers

Barclays Bank plc
Commerzbank

Sauter Automation Limited

Directors' report for the year ended 31 December 2003

The directors present their report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The principal activities of the Company are the marketing, design, manufacture, installation and maintenance of advanced measurement, control and building management systems - Sauter 'MCBM' technology.

Review of business and future developments

Another highly successful year saw the Company's turnover increase by 26% on that achieved in 2002. The strong work-in-hand position at the beginning of the year was translated into sales and cash, the latter also increasing significantly to exceed £2 million at the end of 2003.

Pre-tax profit for the year was in excess of 5% of turnover.

The Company's progress is expected to continue over the next few years, and new business targeted for 2004 should provide the Company with a solid base from which to reap further benefits in future years, stemming from its commitment to provide competitive, high quality products and services to its customers.

Results and dividends

The profit on ordinary activities for the year was £407,000 on turnover of £12,109,000 compared with a profit on ordinary activities of £544,000 on turnover of £9,645,000 for 2002. Detailed results for the year are shown in the profit and loss account on page 5.

The directors do not recommend payment of a dividend for the year ended 31 December 2003 (2002: interim dividend of £1 per ordinary share amounting to £250,000).

Donations

During the year, the Company made charitable donations to various organisations amounting to £826 (2002: £175).

Research and development

The Company did not undertake any research and development activities during the year.

Directors

The following have served as directors of the Company during the year:

J C Buckley
P Swindells
R Weber
H Ziegler (resigned on 7 February 2003)

Sauter Automation Limited

Directors' interests in shares of the Company

The directors do not have any interest in shares of the Company, nor any notifiable interests in other group companies.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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 those financial statements, the directors are required to:

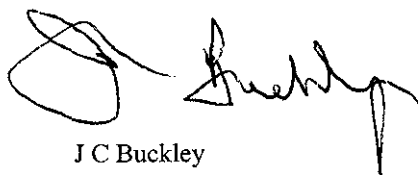
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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.

Auditors

The Company has passed an elective resolution dispensing with the need to appoint auditors annually.

By order of the board



J C Buckley
Secretary

17th May 2004

Independent auditors' report to the members of Sauter Automation Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, cash flow statement and the statement of total recognised gains and losses and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 of the state of the Company's affairs at 31 December 2003 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Reading

19 May 2004

Sauter Automation Limited

Profit and loss account for the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Turnover	2	12,109	9,645
Cost of sales		<u>(8,684)</u>	<u>(6,502)</u>
Gross profit		3,425	3,143
Distribution costs		(539)	(651)
Administrative expenses		<u>(2,287)</u>	<u>(1,681)</u>
Profit on ordinary activities before interest and taxation	3	599	811
Interest receivable and similar income		19	14
Interest payable and similar charges	6	<u>(1)</u>	<u>(5)</u>
Profit on ordinary activities before taxation		617	820
Taxation	7	<u>(210)</u>	<u>(276)</u>
Profit after taxation	15	407	544
Dividends (2002: interim dividend of £1 per ordinary share)		-	(250)
Retained profit for the year		<u>407</u>	<u>294</u>

All operations in the year and the comparative year were continuing.

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

Sauter Automation Limited

Statement of total recognised gains and losses for the year ended 31 December 2003

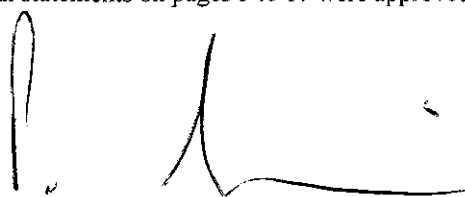
	2003 £'000	2002 £'000
Retained profit for the financial year	<u>407</u>	<u>294</u>
Total recognised gains and losses relating to the year	407	294
Prior year adjustment FRS 19	<u>-</u>	<u>59</u>
Total recognised gains and losses since the last annual report	<u><u>407</u></u>	<u><u>353</u></u>

Sauter Automation Limited

Balance sheet as at 31 December 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	8	<u>1,299</u>	<u>1,411</u>
Current assets			
Stocks	9	439	536
Debtors	10	2,370	2,092
Cash and bank balances		<u>2,008</u>	<u>1,221</u>
		<u>4,817</u>	<u>3,849</u>
Creditors: amounts falling due within one year	11	(3,022)	(2,564)
Net current assets		<u>1,795</u>	<u>1,285</u>
Total assets less current liabilities		<u>3,094</u>	<u>2,696</u>
Provision for liabilities and charges	12	(111)	(120)
Net assets		<u>2,983</u>	<u>2,576</u>
Capital and reserves			
Called-up share capital	14	250	250
Profit and loss account	15	<u>2,733</u>	<u>2,326</u>
Shareholder's funds		<u>2,983</u>	<u>2,576</u>

The financial statements on pages 5 to 17 were approved by the board of directors on 17th May 2004 and were signed on its behalf by :



P Swindells
Director

Sauter Automation Limited

Cash flow statement for the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Net cash inflow from operating activities	16	<u>1,033</u>	<u>782</u>
Returns on investments and servicing of finance			
Interest received		19	14
Interest paid		(1)	(5)
Net cash inflow from returns on investments and servicing of finance		<u>18</u>	<u>9</u>
Taxation		<u>(244)</u>	<u>(376)</u>
Capital expenditure			
Purchase of tangible fixed assets		(20)	(107)
Sale of tangible fixed assets		-	17
Net cash outflow from investing activities		<u>(20)</u>	<u>(90)</u>
Equity dividend paid		-	(250)
Increase in cash and cash equivalents	17	<u>787</u>	<u>75</u>

Sauter Automation Limited

Notes to the financial statements for the year ended 31 December 2003

1 Accounting policies

The financial statements have been prepared on a going concern basis, in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. A summary of the principal accounting policies, which have been applied consistently, are set out below.

Basis of accounting

The accounts are prepared in accordance with the historical cost convention.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset in equal instalments over their estimated useful lives as follows:-

Freehold buildings	30 years
Plant and machinery	5 years
Fixtures and fittings	5 years
Motor vehicles	4 years
Computer and word processing equipment	4 years

Freehold land is not depreciated.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Stocks, excluding long-term contracts

Stock is stated at the lower of cost and net realisable value. In general, cost is determined on a weighted average basis and includes transport and handling costs. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Long-term contracts

Work in progress on uncompleted long term contracts is valued at direct cost. All contracts are invoiced periodically and profit is recognised after due consideration of all foreseeable costs. Reserves are created to accrue for further anticipated expenses on uncompleted contracts. These reserves are included under accruals in the balance sheet. Overheads have not been included, as required by Statement of Standard Accounting Practice 9, but the net effect of including overheads in the valuation of long term contracts and adjusting work in progress to take account of net realisable value would not be material to these accounts. Provision is made for the estimated cost of warranty work when a contract is completed.

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1 Accounting policies (continued)

Foreign currencies

Trading transactions denominated in foreign currencies are translated at an average rate of exchange for the year. Monetary assets and liabilities denominated in foreign currencies are re-translated, at rates of exchange prevailing at the balance sheet date. All exchange differences are taken to the profit and loss account in the year in which they arise.

The Company entered into forward foreign currency exchange contracts to protect the Company from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled. However, as permitted by Statement of Standard Accounting Practice 20, the Company does not account for its foreign currency transactions based on the rates specified in the forward foreign currency exchange contracts.

Exchange gain and losses arising on these contracts into as hedges are deferred until the settlement of these contracts.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services and progress claims raised. Contract invoices and progress claims are raised periodically to match the level of work completed.

Pension costs

The pension arrangements operated by the Company provide benefits on a defined contribution basis. Contributions paid in accordance with the rules of the schemes are charged to the profit and loss account in the period to which they relate. For a number of employees the employer has undertaken to provide certain guarantees regarding the ultimate level of benefits which will emerge in respect of past service. These benefit guarantees are met in part by additional defined contributions and in part by an unfunded commitment from the employer. Any shortfall between the emerging defined contribution benefits and the benefit guarantees is provided for over the estimated remaining service lives of the employees, in accordance with advice from an independent actuary.

Deferred taxation

Provision is made for deferred tax liabilities and assets, using full provision accounting, otherwise known as the incremental liability method when an event has taken place by the balance sheet date which gives rise to an increased or reduced tax liability in the future in accordance with Financial Reporting Standards 19. 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 substantially enacted by the balance sheet date.

Deferred tax is measured on a non-discounted basis and an asset is recorded to the extent that it is considered more likely than not that an asset will crystallise in the foreseeable future.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

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2 Turnover

Turnover and gross profit arise mainly in the United Kingdom from the supply, design, installation and maintenance of HVAC control systems and building energy management systems, which the directors regard as comprising one class of business.

3 Profit on ordinary activities before interest and taxation

	2003 £'000	2002 £'000
Profit on ordinary activities before interest and taxation is stated after charging:		
Depreciation of tangible fixed assets:		
- Owned assets	131	151
Loss on disposal of tangible fixed assets	1	17
Auditor's remuneration:		
- Audit services	22	22
- Non-audit services	19	29
Operating lease charges:		
- Plant and machinery	335	364
- Other	51	18
	<u>729</u>	<u>399</u>

4 Directors' emoluments

	2003 £'000	2002 £'000
Aggregate emoluments	231	206
Company contributions to money purchase pension schemes	498	193
	<u>729</u>	<u>399</u>

Retirement benefits were accruing to 2 directors (2002: 2) under money purchase schemes.

Highest paid director

	2003 £'000	2002 £'000
Aggregate emoluments	144	124
Company contributions to money purchase pension schemes	415	112
	<u>559</u>	<u>236</u>

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5 Employee information

The average monthly number of persons (including executive directors) employed by the Company during the year was:

	2003 Number	2002 Number
Production and engineering	68	68
Sales and distribution	12	15
Administrative	9	9
	<u>89</u>	<u>92</u>

	2003 £'000	2002 £'000
Staff costs (for the above persons):		
Wages and salaries	2,598	2,621
Social security costs	335	316
Other pension costs (note 18)	750	302
	<u>3,683</u>	<u>3,239</u>

6 Interest payable and similar charges

	2003 £'000	2002 £'000
On corporation tax timing adjustments	<u>1</u>	<u>5</u>

7 Taxation

	2003 £'000	2002 £'000
UK corporation tax on profits of the year	214	284
Adjustment in respect of prior years	(4)	(8)
Tax on profit on ordinary activities	<u>210</u>	<u>276</u>

The tax assessed for the year is higher (2002: higher) than the standard rate of corporation tax in the UK of 30% (2002: 30%).
The differences are explained below:

	2003 £'000	2002 £'000
Profit on ordinary activities before taxation	<u>617</u>	<u>820</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	185	246
Effects of:		
Expenses not deductible for tax purposes	29	38
Adjustment in respect of prior years	(4)	(8)
Current tax charge for the year	<u>210</u>	<u>276</u>

Sauter Automation Limited

8 Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery, fixtures and fittings, computer and word processing equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2003	1,487	825	76	2,388
Additions	-	20	-	20
Disposals	-	(3)	-	(3)
At 31 December 2003	1,487	842	76	2,405
Accumulated depreciation				
At 1 January 2003	275	676	26	977
Charge for year	40	72	19	131
Released on disposals	-	(2)	-	(2)
At 31 December 2003	315	746	45	1,106
Net book value				
At 31 December 2003	1,172	96	31	1,299
At 31 December 2002	1,212	149	50	1,411

9 Stocks

	2003 £'000	2002 £'000
Spares and goods for resale	439	536

10 Debtors

	2003 £'000	2002 £'000
Amounts falling due within one year		
Deferred tax asset (note 13)	59	59
Trade debtors	699	634
Amounts recoverable on contracts	1,402	1,143
Other debtors	23	31
Prepayments	107	114
	2,290	1,981
Amounts falling due after one year		
Retentions	80	111
	2,370	2,092

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11 Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Trade creditors	912	835
Amounts owed to group undertakings	340	364
Taxation and social security	716	630
Other creditors	30	13
Accruals and deferred income	1,024	722
	<u>3,022</u>	<u>2,564</u>

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment.

12 Provision for liabilities and charges

	Total £'000
At 1 January 2003	120
Utilised during the year	(9)
At 31 December 2003	<u>111</u>

The provision covers potential warranty liabilities, which are expected to be utilised within two years of the balance sheet date.

13 Deferred taxation asset

The total deferred taxation asset and the amount recognised in the financial statements are as follows:

	2003 £'000	2002 £'000
Excess of tax allowances over depreciation	<u>59</u>	<u>59</u>

14 Called-up share capital

	2003 £'000	2002 £'000
Authorised		
250,000 ordinary shares of £1 each	<u>250</u>	<u>250</u>
Allotted, called up and fully paid		
250,000 ordinary shares of £1 each	<u>250</u>	<u>250</u>

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15 Reserves

	Profit & Loss Account £'000
At 1 January 2003	2,326
Profit after taxation	407
At 31 December 2003	<u>2,733</u>

Reconciliation of movement in shareholders' funds

	2003 £'000	2002 £'000
Shareholders' funds as at 1 January	2,576	2,282
Profit after taxation	407	544
Interim dividend	-	(250)
Shareholders' funds as at 31 December	<u>2,983</u>	<u>2,576</u>

16 Reconciliation of operating profit to net cash inflow from operating activities

	2003 £'000	2002 £'000
Profit on ordinary activities before interest and taxation	599	811
Depreciation of tangible fixed assets	131	151
Loss on disposal of tangible fixed assets	1	17
Decrease/(increase) in stocks	97	(4)
(Increase)/decrease in debtors	(278)	433
Increase/(decrease) in creditors	492	(640)
(Decrease)/increase in provision for liabilities and charges	(9)	14
Net cash inflow from operating activities	<u>1,033</u>	<u>782</u>

17 Analysis of changes in net debt

	1 January 2003 £'000	Cash flow £'000	31 December 2003 £'000
Cash and bank balances	1,221	787	2,008
Amount secured for bank guarantees provided	(128)	-	(128)
Net cash and cash equivalents	<u>1,093</u>	<u>787</u>	<u>1,880</u>

Sauter Automation Limited

18 Pension and similar obligations

The pension arrangements operated by the Company provide benefits on a defined contribution basis. Contributions paid in accordance with the rules of the scheme are charged to the profit and loss account in the period to which they relate. For a number of employees, the employer has undertaken to provide certain guarantees regarding the ultimate level of benefits which will emerge in respect of past service. These benefit guarantees are met in part by additional contributions and in part by an unfunded commitment from the employer.

The Company has taken independent actuarial advice regarding the possibility of a shortfall between the emerging defined contribution benefits and the benefit guarantees. The last review was undertaken as at 26 November 2003. The main actuarial assumptions were an investment return of 7.0% per annum and RPI increases of 2.5% per annum.

Based on advice following that review, the Company has made additional payments in respect of the shortfalls identified by the review.

The pension charge for the year amounted to £750,000 (2002 : £302,000), of which £547,000 (2002: £120,000) relates to the charge in respect of the targeted and defined benefit schemes.

There were no outstanding contributions at the year end.

19 Financial commitments

At 31 December 2003, the Company had annual commitments under non-cancellable operating leases as follows:

	< ----- 2003 ----- >			< ----- 2002 ----- >		
	Land & buildings £'000	Plant & machinery £'000	Total £'000	Land & buildings £'000	Plant & machinery £'000	Total £'000
Expiring within one year	-	51	51	-	90	90
Expiring between two and five years inclusive	-	225	225	-	182	182
Expiring after five years	20	-	20	20	-	20
	<u>20</u>	<u>276</u>	<u>296</u>	<u>20</u>	<u>272</u>	<u>292</u>

As at 31 December 2003, the Company had forward foreign currency exchange contracts denominated in Euro of €900,000 (2002: €750,000). The value of these contracts based on the contract rates are £624,867 (2002: £483,150) and the settlement dates on these contracts ranged between 1 and 6 months (2002: 1 and 5 months). The net unrecognised gain as at 31 December 2003 is insignificant (2002: loss - insignificant).

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20 Related party transactions

During the year, the Company purchased goods and services from related companies as follows :

	2003 £'000	2002 £'000
Purchase of goods for resale	1,653	1,446
Management fees	37	40
Training	2	-
Insurances	7	9
Sauter Group networking costs	29	35
Total	1,728	1,530

The related companies in respect of the above transactions are: Fr Sauter AG, Basle, the parent company and Sauter Iberica, S.A., a fellow subsidiary.

21 Ultimate parent undertaking and controlling party

The immediate parent undertaking and ultimate parent undertaking is Fr Sauter AG, Basle, a company registered in Switzerland. Fr Sauter AG Basle is the smallest and largest group to consolidate these financial statements. The directors are not party to the identity of the controlling party of Fr Sauter AG.

Copies of the parent undertaking's consolidated financial statements may be obtained from :

Fr Sauter AG
Im Surinam 55
CH 4016 Basle
Switzerland