Inline Electronics Limited

Report and accounts 2007

Company registration number 3191666

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Directors' report

for the year ended 31 December 2007

The directors of Inline Electronics Limited present their report and the audited financial statements of the company for the year ended 31 December 2007

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

Principal activities
The principal activity of the company is to act as a manufacturer of electronic components

On 29 June 2007, the shareholders of Ex-Or Holdings Limited, the ultimate parent company of Inline Electronics Limited, sold their interest in the group to Novar Electrical Holdings Limited, a wholly owned subsidiary company of Honeywell International Inc

Results
The company's profit for the financial year was £506,000 (2006 £346,000) which will be transferred to reserves
The results for the year are shown on page 5

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

D Murgatroyd
N Jones (resigned 1 August 2008)
C Holce (resigned 1 August 2008)
T Larkins (appointed 29 June 2007)
J Maironi (appointed 29 June 2007)
M Southgate (appointed 29 June 2007)
J Tus (appointed 29 June 2007)
C White (appointed 29 June 2007)
A Fowell (resigned 29 June 2007)

Directors' indemnities
Pursuant to the Company's articles of association, the directors were throughout the year to 31 December 2007 and are at the date of this report entitled to qualifying indemnity provision as defined in section 236 of the Companies Act 2006

Statement of directors' responsibilities in respect of the annual report and the financial statements
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 The directors have elected to prepare the financial statements in accordance with the 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 those financial statements, the directors are required to

- select suitable accounting policies and 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

Directors' report (continued)

for the year ended 31 December 2007

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that 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

Disclosure of information to auditors

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 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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Auditors

The auditors, Baker Tilly UK LLP, have indicated their willingness to continue in office

By order of the board

C White
Director
13 OCTOBER , 2008

Independent auditors' report

to the members of Inline Electronics Limited

We have audited the financial statements on pages 5 to 11

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or 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) as set out in the Statement of Directors' Responsibilities in the Directors' Report

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and 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

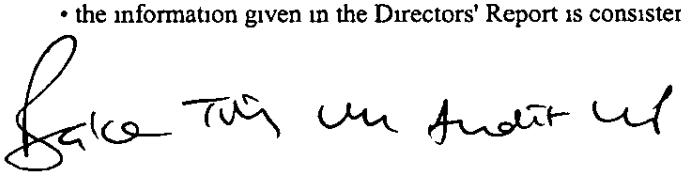
Independent auditors' report (continued)

to the members of Inline Electronics Limited

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 profit for the year then ended and 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



BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
Brazennose House
Lincoln Square
Manchester M2 5BL
30 October 2008

Profit and loss account

for the year ended 31 December 2007

	Note	2007 £000	*2006 £000*
Turnover	3	6,176	*4,126*
Cost of sales		(4,406)	*(2,689)*
Gross profit		1,770	*1,437*
Distribution costs		(265)	*(173)*
Administrative expenses		(780)	*(772)*
Other operating income		1	*1*
Operating profit	4	726	*493*
Interest receivable and similar income	6	23	-
Interest payable and similar charges	6	(6)	*(7)*
Profit on ordinary activities before taxation		743	*486*
Taxation charge on profit on ordinary activities	7	(237)	*(140)*
Retained profit for the financial year	14	506	*346*

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

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

All amounts are derived from continuing operations

Balance sheet

As at 31 December 2007

	Note	2007 £000	*2006 £000*
Fixed assets			
Tangible fixed assets	8	143	*263*
Current assets			
Stocks	9	383	*355*
Debtors	10	543	*623*
Cash at bank and in hand		1,304	*505*
		2,230	*1,483*
Creditors: amounts falling due within one year	12	(1,227)	*(1,012)*
Net current assets		1,003	*471*
Total assets less current liabilities		1,146	*734*
Creditors amounts falling due after more than one year	12	-	*(94)*
Net assets		1,146	*640*
Capital and reserves			
Called up share capital	13	1	*1*
Profit and loss account	14	1,145	*639*
Total equity shareholders' funds		1,146	*640*

These financial statements were approved by the board of directors and authorised for issue on 13 OCTOBER 2008 and are signed on its behalf by

C White
Director

Notes to the accounts

for the year ended 31 December 2007

1. Accounting policies

These financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 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"

Following the change in ownership of the company during the year, the company has aligned to Honeywell accounting policy in respect of the value of assets which are to be treated as tangible fixed assets The increase in the threshold value of such assets has resulted in a write off to the current year profit and loss account of £45,000

Turnover

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 comprise value of work done in the year, including estimates of amounts not invoiced Revenue from long term contracts is recognised by reference to the stage of completion

Pensions

The company contributes to the personal pensions of certain directors and employees Contributions are charged to the profit and loss account as they become payable

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as below

Plant and machinery	15%-33% straight line
Building improvements	3%-10% straight line

Leases

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the period of the leases The company has no finance leases

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value The capital element of the future payments is treated as a liability and interest is charged to the profit and loss account on straight line basis

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity Provision is made for any foreseeable losses where appropriate No element of profit is included in the valuation of work in progress

Stocks

Stocks are stated at the lower of cost and net realisable value Cost represents materials, direct labour and appropriate production overheads Net realisable value is based on estimated selling price less additional costs to completion and disposal Where necessary, provision has been made for slow moving, obsolete and defective stocks

1. Accounting policies (continued)

Taxation

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

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 substantially enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

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 FRS1 "Cash flow statements" (revised 1996) from preparing a cash flow statement

In accordance with the exemptions available under FRS8 "Related party disclosures", transactions with other undertakings within the Honeywell group or with undertakings which the group has invested in 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. Segmental reporting analysis

The business operations of Ex-Or Limited fall within one business segment known as Automated Control Systems consistent with Honeywell International Inc presentation Turnover is substantially attributed to markets within the UK

4. Operating profit	2007	*2006*
Operating profit is stated after charging	£000	*£000*
Depreciation and amortisation		
Tangible fixed assets - owned	45	*40*
Depreciation of assets held under hire purchase	42	*73*
Rental charges under operating leases		
Other operating leases	22	*15*
Loss on disposal of fixed assets	17	*1*
Auditors' remuneration		
Audit services	6	*4*
Non audit fees - taxation services	7	-

5. Employees and directors	2007	*2006*
Average number of persons employed during the year	Number	*Number*
Factory and engineering	27	*19*
General and administration	4	*5*
	31	*24*
Staff costs	£000	*£000*
Wages and salaries	992	*406*
Social security costs	75	*20*
Pension costs	1	-
	1,068	*426*
Directors' emoluments/highest paid director		
Emoluments (including benefits in kind)	248	*95*
Company contributions paid to money purchase pension scheme	1	-
	249	*95*
6. Interest receivable and payable		
Interest receivable and similar income		
Bank interest	23	-
Interest payable and similar charges		
Interest payable on hire purchase agreements	6	*7*
7. Taxation on profit on ordinary activities		
Current tax		
UK corporation tax at 30% (2006 30%)	251	*155*
Deferred tax		
Accelerated capital allowances	(9)	-
Other timing differences	(5)	*(15)*
Total deferred tax credit	(14)	*(15)*
Total tax charge on profit on ordinary activities	237	*140*

The tax assessed for the year is higher (2006 higher) than the standard rate of UK corporation tax rate of 30% (2006 30%) and the differences are explained below

	2007	*2006*
	£000	*£000*
Profit on ordinary activities before tax	743	*486*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	223	*146*
Effects of		
Expenses not deductible for tax purposes and other permanent differences	1	*9*
Depreciation in excess of capital allowances	27	-
Total current tax charge for the year	251	*155*

8. Tangible fixed assets	Plant & machinery
Cost	£000
At 1 January 2007	910
Additions	23
Disposals	(87)
At 31 December 2007	846
Accumulated depreciation	
At 1 January 2007	647
Charge for the year	87
Disposals	(31)
At 31 December 2007	703
Net book value	
At 31 December 2007	143
At 31 December 2006	*263*

Finance leases and similar agreements
Included within the net book value of £143,000 (2006 £263,000) is £nil (2006 225,000) relating to fixed assets held under hire purchase agreements The depreciation charge to the financial statements in the year in respect of assets amounted to £42,000 (£73,000)

9. Stocks	2007 £000	*2006 £000*
Finished goods for sale	383	*355*

10. Debtors		
Amounts falling due within one year		
Trade debtors	57	*112*
Amounts owed by group undertakings	316	*405*
Deferred taxation (note 11)	14	-
Other debtors	156	*106*
	543	*623*

Amounts owed to group undertakings are unsecured, repayable on demand and bear no interest

11. Deferred taxation	2007	*2006*
Tax effect of timing differences because of	£000	*£000*
Differences between capital allowances and depreciation	9	*(11)*
Other timing differences transferred in	5	*11*
Total deferred tax asset	14	-
Movement in deferred tax asset		
At 1 January	-	-
Credit to the profit and loss account (note 7)	(14)	-
At 31 December	(14)	-

Notes to the accounts (continued)

for the year ended 31 December 2007

12. Creditors	2007	*2006*
Amounts falling due within one year	£000	*£000*
Bank loans and overdrafts	-	*434*
Trade creditors	727	*232*
Amounts owed to group undertakings	103	*87*
Corporation tax	251	*153*
Taxation and social security	33	*27*
Hire purchase agreements	-	*52*
Other creditors	113	*27*
	1,227	*1,012*
Amounts falling due more than one year		
Hire purchase agreements	-	*94*

Amounts owed to group undertakings are unsecured, repayable on demand and bear no interest

13. Called up share capital	2007	*2006*
Authorised, allotted, called up and fully paid	£	*£*
500 ordinary shares of £1 each	500	*500*
500 'A' ordinary shares of £1 each	500	*500*
	1,000	1,000

14. Reconciliation of shareholders' funds and movements on reserves

	Share capital	Profit & loss account	2007 Total	*2006 Total*
	£000	£000	£000	*£000*
At 1 January	1	639	640	*294*
Retained profit for the financial year	-	506	506	*346*
At 31 December	1	1,145	1,146	*640*

15. Operating lease commitments

Annual commitment at 31 December	2007	*2006*
Operating leases	£000	*£000*
expiring in one year	22	*14*
expiring in two to five years	9	*23*
	31	*37*

16. Ultimate parent undertakings

The immediate parent undertaking is Ex-Or Holdings Limited

The ultimate parent undertaking and controlling party is Honeywell International Inc , a company registered in the USA, which is the parent undertaking of the smallest and largest group to consolidate these financial statements 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