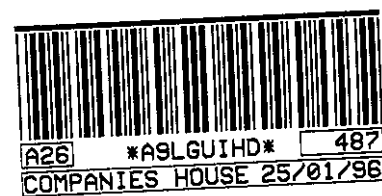


DANFOSS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

30TH SEPTEMBER 1995

REGISTERED NUMBER: 624322



DANFOSS LIMITED

DIRECTOR'S REPORT

The directors present their report and the audited accounts of the company for the year ended 30th September 1995.

DIRECTORS AND THEIR INTERESTS

The following directors held office during the year:

| | Appointed | Resigned |
|--------------------------|--------------------|--------------------|
| Mr H Petersen (Chairman) | | |
| Mr G. Strauss | 1st April 1995 | |
| Mr J Kristensen | | |
| Mr B Atkinson | | 24th February 1995 |
| Mr S Heald | 24th February 1995 | 31st March 1995 |

None of the directors held any beneficial interests in the shares of the company during the year.
None of the directors had a beneficial interest in any contract to which the company was a party.

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on Page 3. The directors do not recommend the payment of a dividend (1994: £1,300,000).

REVIEW OF THE BUSINESS

The company's principal activity during the year was the sale of instrumentation, controls and variable speed drives in the electrical and refrigeration industries and of refrigeration compressors and hydraulic components. The company is well equipped to improve its position in the relevant market places.

CHARITABLE DONATIONS

The company made charitable donations of £350 (1994 - £2,378) during the year.

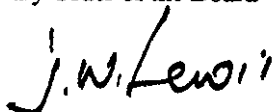
AUDITORS

KPMG were appointed as the company's auditors by the directors on 20 February 1995. In accordance with Section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG as auditors of the Company, is to be proposed at the forthcoming Annual General Meeting.

FIXED ASSETS

Movement in tangible fixed assets are disclosed in Note 6 to these accounts.

By Order of the Board



J W LEWIS
Secretary

7th December 1995

DANFOSS LIMITED

STATEMENT OF DIRECTORS RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss 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;
- * 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 have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

AUDITORS REPORT TO THE MEMBERS OF DANFOSS LIMITED

We have audited the financial statements on pages 3 to 12.

Respective responsibility of directors and auditors

As described above, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 as at 30 September 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG
Chartered Accountants
Registered Auditors
London

 December 1995

DANFOSS LIMITED

PROFIT AND LOSS ACCOUNT - 30 SEPTEMBER 1995

| | Notes | <u>£'000</u> | 1995 <u>£'000</u> | <u>£'000</u> | 1994 <u>£'000</u> |
|--|-------|----------------|----------------------|----------------|----------------------|
| TURNOVER | 2 | | 29,098 | | 25,576 |
| Change in Stocks of goods held for resale | | (191) | | (46) | |
| Other operating income | | 1,210 | | 855 | |
| Materials and other external charges | | (22,572) | | (19,777) | |
| Staff Costs | 3 | (3,359) | | (2,965) | |
| Depreciation | | (468) | | (466) | |
| Other operating charges | | <u>(2,548)</u> | | <u>(2,512)</u> | |
| | | | <u>(27,928)</u> | | <u>(24,911)</u> |
| OPERATING PROFIT | | | 1,170 | | 665 |
| Profit on disposal of fixed assets | | | 28 | | 608 |
| Interest receivable and similar income | | | - | | 57 |
| Interest payable | 3 | | <u>(219)</u> | | <u>(266)</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 3 | | 979 | | 1,064 |
| Tax on profit on ordinary activities | 5 | | (358) | | (85) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | | <u>621</u> | | <u>979</u> |
| RESERVES BROUGHT FORWARD | | | <u>693</u> | | <u>1,014</u> |
| | | | 1,314 | | 1,993 |
| DIVIDENDS | | | <u>-</u> | | <u>(1,300)</u> |
| RESERVES CARRIED FORWARD | | | <u>1,314</u> | | <u>693</u> |

The company has no recognised gains or losses other than the result for the period, which is all in respect of continuing operations.

The notes on pages 6 to 12 form part of these accounts.

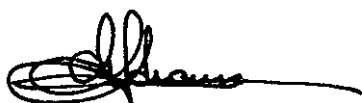
DANFOSS LIMITED

BALANCE SHEET - 30 SEPTEMBER 1995

| | Notes | 1995 <u>£'000</u> | 1994 <u>£'000</u> |
|--|-------|------------------------------|-----------------------------|
| FIXED ASSETS | | | |
| Tangible assets | 6 | <u>3,633</u> | <u>3,893</u> |
| CURRENT ASSETS | | | |
| Stocks | | 2,366 | 2,557 |
| Debtors | 7 | 6,892 | 6,401 |
| Cash at bank and in hand | | 1 | 1 |
| | | <u>9,259</u> | <u>8,959</u> |
| CREDITORS (amounts falling due within one year) | 8 | <u>(8,211)</u> | <u>(8,819)</u> |
| NET CURRENT ASSETS | | <u>1,048</u> | <u>140</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 4,681 | 4,033 |
| PROVISIONS FOR LIABILITIES AND CHARGES | 9 | <u>(117)</u> <u>4,564</u> | <u>(90)</u> <u>3,943</u> |
| CAPITAL AND RESERVES | | | |
| | 11 | | |
| Called up share capital | 10 | 3,250 | 3,250 |
| Profit and loss account | | <u>1,314</u> | <u>693</u> |
| | | <u>4,564</u> | <u>3,943</u> |

These Financial Statements were approved by the Board of Directors on
and were signed on its behalf by:

6th December 1995



Director
G Strauss

The notes on pages 6 - 12 form part of these accounts

DANFOSS LIMITED

CASHFLOW STATEMENT - 30 SEPTEMBER 1995

| | Notes | 1995 £'000 | 1994 £'000 |
|---|-------|----------------|---------------|
| Net cash inflow from operating activities | 15a | 1,178 | 1,047 |
| Return on investment and servicing of finance | | | |
| Interest received | | - | 57 |
| Interest paid | | (219) | (274) |
| Dividends paid | | <u>(1,300)</u> | <u>-</u> |
| Net cash outflow from investment and servicing of finance | | (1,519) | (217) |
| Taxation | | | |
| Corporation tax paid | | (188) | - |
| Group relief | | <u>-</u> | <u>94</u> |
| Net cash (outflow)/ inflow from taxation | | (188) | 94 |
| Investing activities | | | |
| Purchase of tangible fixed assets | | (247) | (196) |
| Sale of tangible fixed assets | | <u>67</u> | <u>775</u> |
| Net cash (outflow) / inflow from investing activities | | (180) | 579 |
| Net cash inflow/(outflow) before financing | | <u>(709)</u> | <u>1,503</u> |
| Financing | | | |
| Loan from parent undertaking | | 1,096 | (496) |
| Increase in cash and cash equivalents | 15c | <u>387</u> | <u>1,007</u> |

DANFOSS LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1995

1 ACCOUNTING POLICIES

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. The following accounting policies have been consistently applied in dealing with items which are considered material in relation to the Company's financial statements.

(1) Tangible assets and depreciation

Tangible assets are stated at cost less accumulated depreciation. Depreciation is provided in equal instalments at rates estimated to write off the cost of the assets over their expected useful lives. These lives are as follows:

Freehold buildings - 25 years
Plant and Equipmen - 3 - 6 years
Motor Vehicles - 3 years
Freehold land is not depreciated

(2) Stock

Stock represents goods purchased for resale and is stated at the lower of cost and net realisable value.

(3) Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Trading transactions are translated at the rate ruling on the date of the relevant transaction. Exchange differences are charged or credited to the profit and loss account.

(4) Provision for guarantee claims

Guarantees covering labour and materials are granted on certain products from the date of manufacture or sale, as applicable. At each balance sheet date a provision is made to cover the estimated cost of services under these guarantees.

(5) Deferred taxation

Provision is made at appropriate rates of taxation for the tax liabilities arising from all timing differences other than those which are expected with reasonable probability to continue in the foreseeable future.

(6) Pensions

The regular cost of providing benefits under the company's defined benefit scheme is charged to the profit and loss account. The assets of the scheme are held separately from those of the Company, being invested with insurance companies. Any actuarial surplus or deficit arising on the scheme is spread over the average remaining service lives of current employees.

(7) Leases

The rental charges for operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

DANFOSS LIMITED**NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1995 (CONTINUED)****2 TURNOVER**

The turnover for the year represents the total amount invoiced to customers for goods and services net of value added tax.

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting) the following amounts:

| | <u>1995</u> <u>£'000</u> | <u>1994</u> <u>£'000</u> |
|--|-----------------------------|-----------------------------|
| Wages and salaries | 2,950 | 2,576 |
| Social security costs | 240 | 212 |
| Other pension costs | 169 | 177 |
| Hire of plant and machinery including computer rentals | 11 | 10 |
| Auditors' remuneration | 19 | 23 |
| Profit on sale of fixed assets | (28) | (608) |
| Interest payable on bank and other borrowings repayable within five years. | 81 | 150 |
| Interest payable on amounts owed to group undertakings | 138 | 116 |
| Directors' emoluments | 134 | 82 |
| Depreciation | 468 | 466 |

An amount of £5,000 was paid to the company's auditors in respect of non-audit services.

4 DIRECTORS' EMOLUMENTS

| | <u>1995</u> <u>£'000</u> | <u>1994</u> <u>£'000</u> |
|---------------------------|-----------------------------|-----------------------------|
| Remuneration as executive | 104 | 71 |
| Benefits in kind | 23 | 5 |
| Pension | 6 | 6 |
| | <u>133</u> | <u>82</u> |

The emoluments, excluding pension contributions of the chairman were nil (1994:nil) and those of the highest paid director were £77,378 (1994: £76,363).

The emoluments, excluding pension contributions of the directors (including the chairman and highest paid directors) were within the following ranges:-

| | <u>Number of Directors</u> | |
|-----------------|----------------------------|-------------|
| | <u>1995</u> | <u>1994</u> |
| £0 - £5,000 | 3 | 2 |
| £50,001-£55,000 | 1 | - |
| £75,001-£80,000 | 1 | 1 |

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

| | <u>1995</u> <u>£'000</u> | <u>1994</u> <u>£'000</u> |
|--|-----------------------------|-----------------------------|
| UK corporation tax at 33% (1994 - 33%) | | |
| - current year | 349 | 185 |
| - prior years | 9 | (100) |
| | <u>358</u> | <u>85</u> |

DANFOSS LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1995 (CONTINUED)

6 TANGIBLE ASSETS

| | Freehold Land and Buildings £'000 | Plant and Equipment £'000 | Motor Vehicles £'000 | Total £'000 |
|-------------------------|--|--|-------------------------------------|------------------------|
| <u>Cost</u> | | | | |
| At 1 October 1994 | 4,456 | 2,506 | 102 | 7,064 |
| Additions and transfers | 1 | 222 | 24 | 247 |
| Disposals | - | (475) | (119) | (594) |
| At 30 September 1995 | 4,457 | 2,253 | 7 | 6,717 |
| <u>Depreciation</u> | | | | |
| At 1 October 1994 | 1,456 | 1,642 | 73 | 3,171 |
| Charge for the year | 171 | 283 | 14 | 468 |
| Disposals | - | (474) | (81) | (555) |
| At 30 September 1995 | 1,627 | 1,451 | 6 | 3,084 |
| <u>Net Book Amount</u> | | | | |
| At 30 September 1995 | 2,830 | 802 | 1 | 3,633 |
| At 30 September 1994 | 3,000 | 864 | 29 | 3,893 |

Of the £2,830,000 (1994: £3,000,000) net book value relating to freehold land and buildings, £166,091 (1994: £166,091) relates to freehold land.

Future capital expenditure not provided for in the accounts is as follows:

| | 1995 £'000 | 1994 £'000 |
|-------------------------------|-----------------------|-----------------------|
| Authorised and contracted for | Nil | Nil |

DANFOSS LIMITED**NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1995 (CONTINUED)****7 DEBTORS**

| | <u>1995</u> <u>£'000</u> | <u>1994</u> <u>£'000</u> |
|-------------------------------------|-----------------------------|-----------------------------|
| Trade Debtors | 6,393 | 5,484 |
| Amounts owed by group undertakings | 377 | 295 |
| Advance Corporation tax recoverable | - | 325 |
| Prepayments & other debtors | 122 | 297 |
| | <u>6,892</u> | <u>6,401</u> |

8 CREDITORS (Amounts falling due within one year)

| | <u>1995</u> <u>£'000</u> | <u>1994</u> <u>£'000</u> |
|---|-----------------------------|-----------------------------|
| Bank overdrafts and loans | 1,182 | 1,569 |
| Trade creditors | 248 | 180 |
| Amounts owed to group undertakings | 2,857 | 2,377 |
| Short term loan owed to group undertaking | 2,600 | 1,504 |
| Dividend | - | 1,300 |
| Corporation Tax | 349 | 179 |
| Advance corporation tax | - | 325 |
| Other taxation and social security | 602 | 537 |
| Accruals and sundry creditors | 373 | 848 |
| | <u>8,211</u> | <u>8,819</u> |

9 PROVISION FOR LIABILITIES AND CHARGES

| | <u>1995</u> <u>£'000</u> | <u>1994</u> <u>£'000</u> |
|----------------------|-----------------------------|-----------------------------|
| Guarantee provisions | 117 | 90 |
| | <u>117</u> | <u>90</u> |

No provision for deferred tax has been made. The company has an unprovided potential deferred tax asset of £100,000 (1994 - 144,000) in respect of depreciation charged in advance of capital allowances being claimed.

10 CALLED UP SHARE CAPITAL

| | <u>Number</u> | <u>£'000</u> |
|---|------------------|--------------|
| Authorised, allotted and fully paid ordinary shares of £1 each: | | |
| At 30 September 1994 and 30 September 1995 | 3,250,000 | 3,250 |
| | <u>3,250,000</u> | <u>3,250</u> |

DANFOSS LIMITED**NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1995 (CONTINUED)****11 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

| | <u>1995</u> <u>£'000</u> | <u>1994</u> <u>£'000</u> |
|--|-----------------------------|-----------------------------|
| Shareholders' funds at 30 September 1994 | 3,943 | 4,264 |
| Profit for the financial year | 621 | 979 |
| Dividends | - | (1,300) |
| Shareholders' funds at 30 September 1995 | <u>4,564</u> | <u>3,943</u> |

12 CONTINGENT LIABILITIES

There were no contingent liabilities not provided for at 30 September 1995 (1994 - nil)

13 EMPLOYEES

The average number of persons employed by the Company was 120 (1994 - 120)
all of whom were located in the United Kingdom.

14 OPERATING LEASES

As at 30 September 1995, the company had annual commitments under non-cancellable operating leases as set out below:

| | <u>1995</u> <u>£000</u> | <u>1994</u> <u>£000</u> |
|---------------------------------|----------------------------|----------------------------|
| Operating leases which expire: | | |
| within one year | 291 | 266 |
| within the second to fifth year | 186 | 148 |
| in more than five years | - | - |
| | <u>477</u> | <u>414</u> |

DANFOSS LIMITED**NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1995 (CONTINUED)****15 CASHFLOW STATEMENT****a. Reconciliation of operating profit to net cash inflow from operating activities**

| | 1995 | 1994 |
|----------------------------------|--------------|--------------|
| | £000 | £000 |
| Operating profit | 1,170 | 665 |
| Depreciation | 468 | 466 |
| Decrease in stocks | 191 | 46 |
| Increase in debtors | (491) | (563) |
| (Decrease)/increase in creditors | (160) | 433 |
| | <u>1,178</u> | <u>1,047</u> |

b. Analysis of changes in financing during the year

| | | |
|--|----------------|----------------|
| Balance at 1 October | (1,504) | (2,000) |
| Increase in loan from group undertaking | (1,096) | - |
| Repayment of loan from group undertaking | - | 496 |
| Balance 30 September | <u>(2,600)</u> | <u>(1,504)</u> |

c. Analysis of changes in cash and cash equivalents

| | | |
|----------------------|----------------|----------------|
| Balance at 1 October | (1,568) | (2,575) |
| Balance 30 September | <u>(1,181)</u> | <u>(1,568)</u> |
| Movement | <u>387</u> | <u>1,007</u> |

DANFOSS LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1995 (CONTINUED)

16 PENSION COMMITMENTS

The company operated a defined benefit pension scheme. The Danfoss Ltd scheme was amalgamated with the Danfoss Holdings (UK) Pension Scheme on 1st September 1995 and all the assets and liabilities of the Danfoss Ltd Scheme were transferred to the Danfoss Holdings (UK) Pension Scheme.

The total pension cost for the Company was £169,000 (1994 - £177,000) and contributions are assessed in accordance with the advice of independent qualified actuaries.

The Danfoss Holdings (UK) Pension Scheme provides benefits based on a final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified independent actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 30 April 1992. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 10% per annum, that salary increases would average 8% per annum and that present and future pensions would increase at the rate of 3% per annum in excess of the guaranteed minimum pension.

The most recent actuarial valuation showed that the market value of the scheme's assets was £916,000 and that the actuarial value of those assets represented 97% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions made by the company is to be 12% of earnings which includes payment of 1% for three years to eliminate the past service deficit. The contributions of employees will remain at an average of 4.6% of earnings.

17 ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Danfoss A/S which is incorporated in Denmark and is the holding company of the largest group to consolidate the accounts of the company. Group accounts can be obtained from the following address:

Danfoss A/S
DK - 6430
Nordborg
Denmark

The Company's immediate holding company is Danfoss Holding UK Limited, registered in England.