



Danfoss Limited

Directors' report and financial
statements

Registered number 624322

31 December 2000



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activities

The principal activity of the company during the year has been the sale of controls and variable speed drives in the electrical and refrigeration industries and of refrigeration compressors.

Business review

The results for the year are shown in the profit and loss account on page 4.

Dividend

The directors propose the payment of a £500,000 dividend for the year ended 31 December 2000 (1999: £2,000,000).

Directors and directors' interests

The directors who held office during the year were as follows:

Hans Kirk	(resigned 31 March 2000)
Gerhard Strauss	
Finn Fastrup	(appointed 31 March 2000)

None of the directors who held office at the end of the year had any disclosable interest in the shares of the company.

Political and charitable contributions

The company made no political contributions during the year (1999: £nil).

The company made no charitable donations during the year (1999: £500).

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company, is to be proposed at the forthcoming Annual General Meeting.

By order of the board



JW Lewis

Company secretary

31.03. 2001

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 or loss for that year. 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 have 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.



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Auditors' report to the members of Danfoss Limited

We have audited the financial statements on pages 4 to 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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 with the company is not disclosed.

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 31 December 2000 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

19 April 2001

Profit and loss account

for the year ended 31 December 2000

	<i>Note</i>	2000 £000	1999 £000
Turnover	2	29,510	28,490
Cost of sales		(23,698)	(22,886)
		<hr/>	<hr/>
Gross profit		5,812	5,604
Administrative expenses		(5,470)	(5,641)
		<hr/>	<hr/>
Operating profit		342	(37)
Profit on sale of fixed assets		-	1,306
Interest receivable and similar income	6	62	134
Interest payable and similar charges	7	(25)	(156)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	379	1,247
Tax on profit on ordinary activities	8	(156)	(50)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		223	1,197
Dividend paid/proposed		(500)	(2,000)
		<hr/>	<hr/>
Retained profit/(loss) for the year		(277)	(803)
Retained profit brought forward		354	1,157
		<hr/>	<hr/>
Retained profit carried forward		77	354
		<hr/>	<hr/>

The loss for the year is derived from continuing activities.

The company has no recognised gains or losses other than the loss for the year.

Balance sheet

at 31 December 2000

	Note	2000 £000	1999 £000
Fixed assets			
Tangible assets	9	118	170
Long-term loan		-	1,351
		<u>118</u>	<u>1,521</u>
Current assets			
Stocks	10	975	1,128
Debtors	11	5,206	5,974
Cash at bank and in hand		1	1,072
		<u>6,182</u>	<u>8,174</u>
Creditors: amounts falling due within one year	12	<u>(2,847)</u>	<u>(6,091)</u>
Net current assets		<u>3,335</u>	<u>2,083</u>
Total assets less current liabilities		<u>3,453</u>	<u>3,604</u>
Provisions for liabilities and charges	16	<u>(126)</u>	<u>-</u>
Net assets		<u><u>3,327</u></u>	<u><u>3,604</u></u>
Capital and reserves			
Called up share capital	13	3,250	3,250
Profit and loss account		77	354
		<u><u>3,327</u></u>	<u><u>3,604</u></u>

These financial statements were approved by the board of directors on 31.03.2001 and were signed on its behalf by:



G Strauss
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Danfoss A/S and its cashflows are included within the consolidated cashflow statement of that company.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	-	3 to 6 years
Motor vehicles	-	3 years

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

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

Pension costs

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

Notes (continued)

1 Accounting policies (continued)

Stocks

Stocks represent goods purchased for resale and are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

2 Analysis of turnover

In the opinion of the directors, the company has only one class of business. The company is exempt from providing a segmental analysis under SSAP25.

3 Profit on ordinary activities before taxation

	2000 £000	1999 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	24	24
Other	7	13
Depreciation	103	254
	<hr/>	<hr/>

Notes (continued)

4 Remuneration of directors

	2000 £000	1999 £000
Directors' emoluments:		
Remuneration as executive	144	130
Benefits in kind	15	14
Pension	4	2
	<u>163</u>	<u>146</u>

Retirement benefits are accruing to the following number of directors under:

	2000	1999
Defined benefit scheme	<u>1</u>	<u>1</u>

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was 110 (1999: 105).

The aggregate payroll costs of these persons were as follows:

	2000 £000	1999 £000
Wages and salaries	3,381	3,074
Social security costs	309	273
Other pension costs (see note 17)	56	57
	<u>3,746</u>	<u>3,404</u>

Notes (continued)

6 Interest receivable and similar income

	2000 £000	1999 £000
On bank deposits	62	134
	<u>62</u>	<u>134</u>

7 Interest payable and similar charges

	2000 £000	1999 £000
On bank loans, overdrafts and other loans wholly repayable within five years	15	156
Foreign exchange losses	10	-
	<u>25</u>	<u>156</u>

8 Taxation

	2000 £000	1999 £000
UK corporation tax at 30% (1999: 30.25%) on the profit for the year on ordinary activities		
Operating profit at 30%	114	377
Permanent differences (1999: 30.25%)	33	(306)
Unprovided deferred tax (see note 16)	2	(21)
Prior year adjustment	7	-
	<u>156</u>	<u>50</u>

Notes (continued)

9 Tangible fixed assets

	Plant and machinery £000	Motor vehicles £000	Total £000
<i>Cost</i>			
At beginning of year	2,090	7	2,097
Additions	51	-	51
Disposals/write offs	(752)	-	(752)
At end of year	1,389	7	1,396
<i>Depreciation</i>			
At beginning of year	1,920	7	1,927
Disposals/write offs	(752)	-	(752)
Charge for the year	103	-	103
At end of year	1,271	7	1,278
<i>Net book value</i>			
At 31 December 2000	118	-	118
At 31 December 1999	170	-	170

10 Stocks

	2000 £000	1999 £000
Finished goods and goods for resale	975	1,128

There is no material difference between the replacement cost of stocks and their balance sheet amounts.

Notes (continued)

11 Debtors

	2000	1999
	£000	£000
Trade debtors	4,320	5,154
Amounts owed by group undertakings	587	686
Prepayments and accrued income	299	134
	<u>5,206</u>	<u>5,974</u>

12 Creditors: amounts falling due within one year

	2000		1999
	£000	£000	£000
Bank overdraft		637	-
Trade creditors		117	55
Amounts owed to group undertakings		535	1,723
Dividend payable		500	2,000
Other creditors including taxation and social security:			
Corporation tax	63		13
Other taxes and social security	471		1,438
		<u>534</u>	<u>1,451</u>
Accruals and deferred income		524	862
		<u>2,847</u>	<u>6,091</u>

13 Called up share capital

	2000	1999
	£000	£000
<i>Authorised</i>		
3,250,000 ordinary shares of £1 each	3,250	3,250
<i>Allotted, called up and fully paid</i>		
3,250,000 ordinary shares of £1 each	3,250	3,250

14 Contingent liabilities

The company has no contingent liabilities at 31 December 2000 (1999:£nil).

Notes (continued)

15 Commitments

Operating leases

At 31 December 2000, the company had annual commitments under non-cancellable operating leases as set out below:

	2000 £000	1999 £000
Operating leases which expire:		
Within one year	529	478
Within the second to fifth year	313	755
	<u>842</u>	<u>1,233</u>

16 Provisions for liabilities and charges

	2000 £000	1999 £000
Provision for future charges	126	-
	<u>126</u>	<u>-</u>

The provision for future charges is in respect of amounts due in termination of the company's operating lease on its existing premises and for redundancy payments. The amounts are payable in 2001.

No provision for deferred tax has been made. The company has an unprovided potential deferred tax asset of £91,000 (1999: £89,000) in respect of depreciation in advance of capital allowances being claimed.

17 Pension scheme

The company participates in the Danfoss Holdings (UK) Pension Scheme (the Holdings Scheme) which provides benefits based upon final pensionable pay and pensionable service completed with the company.

The company pays contributions determined on the advice of the Scheme's actuary that are calculated to be sufficient to secure the benefits promised after making allowances for future salary and pension increases. The pension cost for the company during the year is equal to the contributions paid of £56,000 (1999: £57,000).

The last actuarial valuation of the Holding Scheme was made at 31 March 2000 using the projected unit method.

The most significant assumptions were:

Rate of interest	9% pa (pre-retirement), 8% pa (post retirement)
Rate of increase in salaries	5% pa
Rate of pension increases	4% pa
Assumed net dividend yield	3%

The actuarial value of the company's share of the Holding Schemes' assets, as at 31 March 2000, represented 120% of the actuarial value of accrued benefits. The market value of the Holding Schemes' assets as at 31 March 2000 was £34.3 million.

Notes (continued)

18 Reconciliation of movements in shareholders' funds

	2000 £000	1999 £000
Opening shareholders' funds	3,604	4,407
Profit for the financial year	223	1,197
Dividend	(500)	(2,000)
	<hr/>	<hr/>
Closing shareholders' funds	3,327	3,604
	<hr/>	<hr/>

19 Related party transactions

The company has taken advantage of the exemption granted under Financial Reporting Standard 8 from the requirement to disclose transactions with related parties as more than 90% of the voting rights are controlled by the same group and consolidated financial statements are prepared for the group.

20 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Danfoss A/S incorporated in Denmark.

The largest group in which the results of the company are consolidated is that headed by Danfoss A/S incorporated in Denmark.

The consolidated accounts of Danfoss A/S are available to the public and may be obtained from Danfoss A/S, DK-6430, Nordborg, Denmark.

21 Post balance sheet events

There are no significant post balance sheet events.