



Danfoss Randall Limited

**Directors' report and financial
statements**

Registered number 2579403

31 December 2001



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

Principal activities

The principal activity of the company during the year has been the manufacture and supply of electronic and electro-mechanical time switches, and thermostatically regulated valves.

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 £1,200,000 dividend for the year ended 31 December 2001 (2000: £1,300,000).

Directors and directors' interests

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

Mogens Terp Poulson
Kevin Durkin
Peter Simson

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 or charitable contributions during the year (2000: £Nil).

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



MA Boden
Company secretary

Ampthill Road
Bedford
MK42 9ER

28/2/ 2002

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.



PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Report of the independent auditors to the members of Danfoss Randall Limited

We have audited the financial statements on pages 4 to 14.

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 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 with the company is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 as at 31 December 2001 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

28 February 2002

Profit and loss account

for the year ended 31 December 2001

	<i>Note</i>	2001 £000	2000 £000
Turnover	2	21,582	20,530
Cost of sales		(14,819)	(13,912)
		<hr/>	<hr/>
Gross profit		6,763	6,618
Distribution costs		(1,976)	(2,061)
Administrative expenses		(2,793)	(2,707)
		<hr/>	<hr/>
Trading profit		1,994	1,850
Interest receivable and similar income	<i>6</i>	67	79
Interest payable and similar charges	<i>7</i>	(28)	(79)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	2,033	1,850
Tax on profit on ordinary activities	8	(641)	(609)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		1,392	1,241
Dividend proposed/paid		(1,200)	(1,300)
		<hr/>	<hr/>
Retained profit/(loss) for the year		192	(59)
Retained profit brought forward		-	59
		<hr/>	<hr/>
Retained profit carried forward		192	-
		<hr/> <hr/>	<hr/> <hr/>

The profit for the year is derived from continuing activities.

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

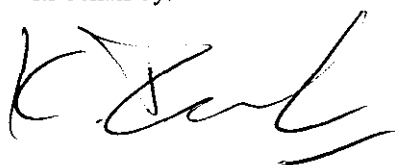
Balance sheet

at 31 December 2001

	Note	2001 £000	2000 £000
Fixed assets			
Tangible assets	9	1,386	1,679
Current assets			
Stocks	10	1,256	2,003
Debtors	11	4,215	4,870
Cash at bank and in hand		2,807	664
		<u>8,278</u>	<u>7,537</u>
Creditors: amounts falling due within one year	12	<u>(5,722)</u>	<u>(5,466)</u>
Net current assets		2,556	2,071
Total assets less current liabilities		3,942	3,750
Provisions for liabilities and charges	13	(150)	(150)
Net assets		3,792	3,600
Capital and reserves			
Called up share capital	14	3,600	3,600
Profit and loss account		192	-
		<u>3,792</u>	<u>3,600</u>

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

28/2/2002 and were signed on



Kevin Durkin
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:

Freehold buildings	-	15 years
Plant and machinery	-	4 to 6 years
Fixtures, fittings and other equipment	-	2 to 6 years
Motor vehicles	-	3 years

No depreciation is provided on freehold land.

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

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as '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.

Notes (continued)

1 Accounting policies (continued)

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.

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials and work in progress standard cost is used. For finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads and labour.

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 to customers during the year.

2 Analysis of turnover

	2001 £000	2000 £000
<i>By geographical market</i>		
UK	18,631	17,597
Other	2,951	2,933
	<hr/> 21,582 <hr/>	<hr/> 20,530 <hr/>

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.

Notes (continued)

3 Profit on ordinary activities before taxation

	2001 £000	2000 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration:		
Audit	23	23
Other	5	5
Depreciation	399	444
Profit on disposal of fixed assets	(12)	(11)
Hire of motor vehicles – operating leases	80	57
	<hr/>	<hr/>

4 Remuneration of directors

	2001 £000	2000 £000
Directors' emoluments:		
Remuneration as executive	135	136
Benefits in kind	15	13
Pension	30	26
	<hr/>	<hr/>
	180	175
	<hr/>	<hr/>

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

	2001	2000
Defined benefit scheme	1	1
	<hr/>	<hr/>

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was 195 (2000: 192) analysed as follows:

	2001 Number	2000 Number
Production	98	98
Administration	97	94
	<hr/> 195	<hr/> 192

The aggregate payroll costs of these persons were as follows:

	2001 £000	2000 £000
Wages and salaries	3,354	3,200
Social security costs	256	240
Other pension costs (see note 16)	466	578
	<hr/> 4,076	<hr/> 4,018

6 Interest receivable and similar income

	2001 £000	2000 £000
Bank interest	67	79

7 Interest payable and similar charges

	2001 £000	2000 £000
Foreign exchange losses	28	79

Notes (continued)

8 Taxation

	2001 £000	2000 £000
UK corporation tax at 30% (2000: 30%) on the profit for the year on ordinary activities		
Operating profit at 30% (2000: 30%)	610	555
Permanent differences	13	9
Movement in unprovided deferred tax (see note 13)	10	22
Prior year adjustment	8	23
	<u>641</u>	<u>609</u>

9 Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Tools and equipment £000	Computer Equipment £000	Motor vehicles £000	Total £000
Cost							
At beginning of year	1,479	1,563	35	289	24	194	3,584
Additions	-	8	-	101	-	-	109
Disposals/write offs	-	(23)	-	(43)	-	(73)	(139)
At end of year	<u>1,479</u>	<u>1,548</u>	<u>35</u>	<u>347</u>	<u>24</u>	<u>121</u>	<u>3,554</u>
Depreciation							
At beginning of year	642	872	20	189	15	167	1,905
Disposals/write offs	-	(24)	-	(43)	-	(69)	(136)
Charge for the year	68	211	6	89	7	18	399
At end of year	<u>710</u>	<u>1,059</u>	<u>26</u>	<u>235</u>	<u>22</u>	<u>116</u>	<u>2,168</u>
Net book value							
At 31 December 2001	<u>769</u>	<u>489</u>	<u>9</u>	<u>112</u>	<u>2</u>	<u>5</u>	<u>1,386</u>
At 31 December 2000	<u>837</u>	<u>691</u>	<u>15</u>	<u>100</u>	<u>9</u>	<u>27</u>	<u>1,679</u>

Of the £769,000 (2000: £837,000) net book value relating to freehold land and buildings, £500,000 (2000: £500,000) relates to freehold land.

Notes (continued)

10 Stocks

	2001 £000	2000 £000
Raw materials and consumables	614	756
Work in progress	16	58
Finished goods and goods for resale	626	1,189
	<u>1,256</u>	<u>2,003</u>

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

11 Debtors

	2001 £000	2000 £000
Trade debtors	3,923	4,419
Amounts owed by group undertakings	269	398
Prepayments and accrued income	23	53
	<u>4,215</u>	<u>4,870</u>

12 Creditors: amounts falling due within one year

	2001 £000	2000 £000
Trade creditors	1,008	770
Amounts owed to group undertakings	1,921	2,257
Other creditors including taxation and social security:		
Corporation tax	705	866
Other taxes and social security	803	616
	<u>1,508</u>	<u>1,482</u>
Accruals and deferred income	1,285	957
	<u>5,722</u>	<u>5,466</u>

Notes (continued)

13 Provisions for liabilities and charges

	Warranty provision £000
At beginning of year	150
Provision created	-
	<hr/>
At end of year	150
	<hr/>

No provision for deferred tax has been made. The company has an unprovided potential deferred tax asset of £45,000 (2000: £35,000) in respect of depreciation charged in advance of capital allowances being claimed.

14 Called up share capital

	2001 £000	2000 £000
<i>Authorised</i>		
3,600,000 ordinary shares of £1 each	3,600	3,600
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
3,600,000 ordinary shares of £1 each	3,600	3,600
	<hr/>	<hr/>

15 Contingent liabilities

The company has no contingent liabilities at 31 December 2001 (2000: £nil).

Notes (continued)

16 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 £466,000 (2000: £578,000).

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

The most significant assumptions were:

Rate of interest	7% pa (pre-retirement), 6½% pa (post retirement)
Rate of increase in salaries	5% pa
Rate of pension increases	3% pa
Assumed net dividend yield	2½% pa

Overall, the actuarial value of the Scheme's assets, as at 31 March 2000, represented 110% of the actuarial value of accrued benefits. The market value of the Scheme's assets as at 31 March 2000 was £34.3 million.

During the year, a new accounting standard, Financial Reporting Standard 17: Retirement Benefits was introduced. The structure of the Scheme is such that it is not possible for individual employers to identify their share of the underlying assets and liabilities. In such cases, paragraph 9(b) of FRS 17 requires the Company to account for pension costs on the basis of contributions actually payable to the Scheme in the year.

17 Reconciliation of movements in shareholders' funds

	£000
Opening shareholders' funds	3,600
Profit for the financial year	1,392
Dividend	(1,200)
	<hr/>
Closing shareholders' funds	3,792

Notes (continued)

18 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	Motor vehicles 2001 £000	Motor vehicles 2000 £000
Operating leases which expire:		
Within one year	50,663	62,064
In the second to fifth years inclusive	35,252	32,511
	<hr/> 85,915 <hr/>	<hr/> 94,575 <hr/>

Allotted, called up and fully paid

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 immediate parent company is Danfoss Holding (UK) Limited, a company incorporated in Great Britain and registered in England and Wales.

The ultimate parent company is Danfoss A/S, a company incorporated and registered in Denmark. The largest and smallest group in which the accounts are consolidated is that headed by Danfoss A/S.

Copies of the financial statements of the above companies may be obtained from their registered offices as follows:

Danfoss Holding (UK) Limited
165 Queen Victoria Street
London EC4V 4DD

Danfoss A/S
DK-6430
Nordborg
Denmark

21 Post balance sheet events

There are no significant post balance sheet events.