

Danfoss Randall Limited

Directors' report and financial statements

30 September 1996

Registered number 2579403



Danfoss Randall Limited

Directors' report and financial statements

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Danfoss Randall Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 1996.

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 5.

Dividend

The directors proposed and paid a dividend of £1,700,000 relating to the year ended 30 September 1995 (1995: £Nil) and the loss for the financial year of £4,000 has been transferred to reserves.

Significant changes in fixed assets

Details of movements in the company's fixed assets are given in note 9 to the accounts.

Directors and directors' interests

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

Mogens Terp Poulson	
Henry Petersen	(resigned 31 March 1996)
Kevin Durkin	
Olle Steen Andersen	(appointed 1 April 1996)

According to the register of directors' interests the directors did not have any notifiable interests in the company or group companies.

Political and charitable contributions

The company made no political or charitable contributions during the year.

Danfoss Randall Limited

Directors' report *(continued)*

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
Secretary

Ampthill Road
Bedford
MK42 9ER

04 December 1996

Danfoss Randall 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 or 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 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

Auditors' report to the members of Danfoss Randall Limited

We have audited the financial statements on pages 5 to 18.

Respective responsibilities of directors and auditors

As described on page 3 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 1996 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

4 December 1996

Danfoss Randall Limited

Profit and loss account

for the year ended 30 September 1996

	Note	1996 £000	1995 £000
Total turnover	2	20,242	20,021
Cost of sales		(13,936)	(13,685)
Gross profit		6,306	6,336
Distribution costs		(1,919)	(1,857)
Administrative expenses		(2,009)	(1,975)
Trading profit		2,378	2,504
Interest receivable and similar income	6	131	137
Interest payable and similar charges	7	-	(10)
Profit on ordinary activities before taxation	3	2,509	2,631
Tax on profit/(loss) on ordinary activities	8	(813)	(899)
Profit on ordinary activities after taxation		1,696	1,732
Dividend proposed		(1,700)	-
Retained (loss)/profit for the financial year		(4)	1,732
Retained profit brought forward		1,808	76
Retained profit carried forward		1,804	1,808

The profit for the period is derived from continuing activities.

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

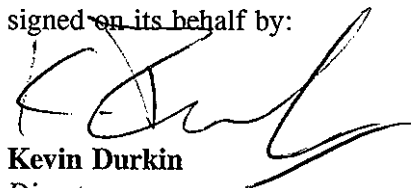
Danfoss Randall Limited

Balance sheet

at 30 September 1996

	Note	1996 £000	1995 £000
Fixed assets			
Tangible assets	9	1,956	1,603
Current assets			
Stocks	10	2,219	2,203
Debtors	11	5,481	5,076
Cash at bank and in hand		136	852
		<u>7,836</u>	<u>8,131</u>
Creditors: amounts falling due within one year	12	<u>(4,288)</u>	<u>(4,238)</u>
Net current assets		<u>3,548</u>	<u>3,893</u>
Total assets less current liabilities		<u>5,504</u>	<u>5,496</u>
Provisions for liabilities and charges	13	<u>(100)</u>	<u>(88)</u>
Net assets		<u><u>5,404</u></u>	<u><u>5,408</u></u>
Capital and reserves			
Called up share capital	14	3,600	3,600
Profit and loss account		1,804	1,808
		<u><u>5,404</u></u>	<u><u>5,408</u></u>

These financial statements were approved by the board of directors on 04 December 1996 and were signed on its behalf by:



Kevin Durkin
Director

Danfoss Randall Limited

Cash flow statement

for the year ended 30 September 1996

	Note	1996		1995	
		£000	£000	£000	£000
Net cash inflow from operating activities	17		2,557		2,943
Return on investments and servicing of finance					
Interest received		131		137	
Interest paid		-		(1)	
Dividend paid		(1,700)		(1,000)	
Net cash inflow/(outflow) from returns on investment and servicing of finance			(1,569)		(864)
Tax paid					
Corporation tax		(814)		(739)	
Group relief		(118)		(187)	
			(932)		(926)
Investing activities					
Purchase of tangible fixed assets		(692)		(379)	
Sale of tangible fixed assets		52		25	
Net cash outflow from investing activities			(640)		(354)
Net cash inflow/(outflow) before financing			(584)		799
Financing					
Loan to Danfoss Holding UK Ltd	19		(132)		(485)
Increase/(decrease) in cash and cash equivalents	18		(716)		314

Danfoss Randall Limited

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.

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.

Where assets have been acquired second hand they are depreciated on a straight line basis over their remaining useful life.

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.

Danfoss Randall Limited

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, being invested with insurance companies. 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

	1996 £000	1995 £000
<i>By geographical market</i>		
UK	18,217	18,477
Other	2,025	1,544
	<hr/>	<hr/>
	20,242	20,021
	<hr/>	<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.

Danfoss Randall Limited

Notes (continued)

3 Profit on ordinary activities before taxation

	1996 £000	1995 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration:		
Audit	15	14
Other	8	6
Depreciation	316	378
Exchange loss/(gain)	-	9
Profit on disposal of fixed assets	(29)	(22)
Operating lease - hire of other assets	3	3
	<hr/>	<hr/>

4 Remuneration of directors

	1996 £000	1995 £000
Directors' emoluments:		
Remuneration as executive	90	87
Benefits in kind	12	10
Pension	16	15
	<hr/>	<hr/>
	118	112
	<hr/>	<hr/>

The emoluments, excluding pension contributions, of the chairman were £Nil (1995: £Nil) and those of the highest paid director were £110,924 (1995: £106,530).

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

	Number of directors	
	1996	1995
£0 - £ 5,000	3	3
£105,001 - £110,000	-	1
£110,001 - £115,000	1	-
	<hr/>	<hr/>

Danfoss Randall Limited

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was 189 (1995: 203) analysed as follows:

	1996 No.	1995 No.
Production	87	96
Administration	102	107
	<u>189</u>	<u>203</u>

The aggregate payroll costs of these persons were as follows:

	1996 £000	1995 £000
Wages and salaries	2,564	2,595
Social security costs	193	264
Other pension costs (see note 16)	266	242
	<u>3,023</u>	<u>3,101</u>

6 Interest receivable and similar income

	1996 £000	1995 £000
On short term loan granted to Danfoss Holding UK Limited	106	115
Bank interest	25	22
	<u>131</u>	<u>137</u>

Danfoss Randall Limited

Notes (continued)

7 Interest payable and similar charges

	1996 £000	1995 £000
On bank loans, overdrafts and other loans wholly repayable within five years	-	1
Foreign exchange losses	-	9
	<u>-</u>	<u>10</u>

8 Taxation

	1996 £000	1995 £000
UK corporation tax at 33% (1995: 33%) on the profit for the year on ordinary activities	813	911
Overprovision of tax provision	-	(12)
	<u>813</u>	<u>899</u>

Danfoss Randall Limited

Notes (continued)

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 period	1,450	680	45	403	173	309	3,060
Additions	-	520	-	46	-	126	692
Disposals	-	-	-	-	-	(130)	(130)
	<u>1,450</u>	<u>1,200</u>	<u>45</u>	<u>449</u>	<u>173</u>	<u>305</u>	<u>3,622</u>
Depreciation							
At beginning of period	283	501	28	326	152	167	1,457
Disposals	-	-	-	-	-	(107)	(107)
Charge for the year	<u>67</u>	<u>80</u>	<u>5</u>	<u>60</u>	<u>9</u>	<u>95</u>	<u>316</u>
	<u>350</u>	<u>581</u>	<u>33</u>	<u>386</u>	<u>161</u>	<u>155</u>	<u>1,666</u>
Net book value							
At 30 September 1996	<u>1,100</u>	<u>619</u>	<u>12</u>	<u>63</u>	<u>12</u>	<u>150</u>	<u>1,956</u>
At 30 September 1995	<u>1,167</u>	<u>179</u>	<u>17</u>	<u>77</u>	<u>21</u>	<u>142</u>	<u>1,603</u>

Of the £1,100,000 (1995: £1,166,666) net book value relating to freehold land and buildings, £500,000 (1995: £500,000) relates to freehold land.

Danfoss Randall Limited

Notes (continued)

10 Stocks

	1996 £000	1995 £000
Raw materials and consumables	582	592
Work in progress	217	167
Finished goods and goods for resale	1,420	1,444
	<u>2,219</u>	<u>2,203</u>

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

11 Debtors

	1996 £000	1995 £000
Trade debtors	3,036	2,641
Prepayments and accrued income	117	295
Amounts owed by group undertakings	2,328	2,140
	<u>5,481</u>	<u>5,076</u>

The amounts owed by group undertakings comprise

Loan to parent undertaking	2,130	1,998
Trade accounts with group undertakings	198	142
	<u>2,328</u>	<u>2,140</u>

Danfoss Randall Limited

Notes (continued)

12 Creditors: amounts falling due within one year

	1996		1995	
	£000	£000	£000	£000
Trade creditors		873		1,024
Amounts owed to group undertakings		839		790
Other creditors including taxation and social security:				
Corporation tax	905		1,029	
Other taxes and social security	382		241	
		<u>1,287</u>		<u>1,270</u>
Accruals and deferred income		1,289		1,154
		<u>4,288</u>		<u>4,238</u>
<i>The amounts owed to group undertakings comprise:</i>				
Parent and fellow subsidiary undertakings		839		790
		<u>839</u>		<u>790</u>

13 Provisions for liabilities and charges

	Warranty provision £000
At beginning of year	88
Charge for the year in the profit and loss account	12
	<u>100</u>
At end of year	<u>100</u>

There is no potential liability to deferred taxation.

Danfoss Randall Limited

Notes (continued)

14 Called up share capital

	1996	1995
	£000	£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 30 September 1996 (1995:£nil).

16 Pension scheme

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

The company contributed to the scheme during the year at the rate of 14.8% of salaries. These contributions include 3.5% which is intended to eliminate the deficit in the scheme over a five year period commencing on 1 April 1995. The contributions were assessed by an independent qualified actuary using the projected unit method of valuation as at 31 March 1995. The principle assumptions were that the return on investments would be 9% per annum, pension increases would be 4% per annum in excess of guaranteed minimum pensions and dividend increases would be 4.4% per annum.

Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

The valuation of the scheme showed that the market value of the company's notional share of the scheme's assets was approximately £1.7m and that the actuarial value of those assets represented about 78% of the benefits that had accrued to the members, after allowing for expected future increases in salaries.

Danfoss Randall Limited

Notes (continued)

17 Reconciliation of trading profit to net cash inflow from operating activities

	1996 £000	1995 £000
Trading profit	2,378	2,504
Depreciation	316	378
Profit on sale of tangible fixed assets	(29)	(22)
Increase in stocks	(16)	(33)
Increase in debtors	(1,065)	(91)
Increase in creditors	973	207
	<hr/>	<hr/>
Net cash inflow from operating activities	2,557	2,943
	<hr/>	<hr/>

18 Analysis of changes in cash and cash equivalents

	Cash £000
Balance at 30 September 1994	547
Effect of foreign exchange rate changes	(9)
Net cash inflow	314
	<hr/>
Balance at 30 September 1995	852
Effect of foreign exchange rate changes	-
Net cash inflow	(716)
	<hr/>
Balance at 30 September 1996	136
	<hr/>

Danfoss Randall Limited

Notes (continued)

19 Analysis of changes in financing during the year

	£000
Balance at 30 September 1994	1,513
Increase in loan to group undertaking	485
	<hr/>
Balance at 30 September 1995	1,998
Increase in loan to group undertakings	132
	<hr/>
Balance at 30 September 1996	2,130
	<hr/>

20 Operating leases

At 30 September 1996 the company had annual commitments under non-cancellable operating leases as set out below:

	1996 Land and buildings £000	1995 Land and buildings £000
Operating leases which expire:		
In the second to fifth year	3	3
	<hr/>	<hr/>

21 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.