

Danfoss Randall Limited

**Directors' report and financial
statements**

Registered number 2579403

31 December 2002



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities

The principal activity of the company is the manufacture and supply of electronic and electro-mechanical time controls and thermostatically regulated valves.

Results and dividend

The results for the year are shown in the profit and loss account on page 4. The directors recommend the payment of a dividend for the year of £1,400,000 (2001: £1,200,000).

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 or other group companies.

Auditors

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

By order of the board



MA Boden
Secretary

Amphill Road
Bedford
MK42 9ER

24 April 2003

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.



1 Forest Gate
Brighton Road
Crawley
RH11 9PT
United Kingdom

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

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

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 for the opinions we have formed.

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.

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

24 April 2003

Profit and loss account
for the year ended 31 December 2002

	<i>Note</i>	2002 £000	2001 £000
Turnover	2	22,844	21,582
Cost of sales		(15,428)	(14,819)
		<hr/>	<hr/>
Gross profit		7,416	6,763
Distribution costs		(2,043)	(1,976)
Administrative expenses		(3,212)	(2,793)
		<hr/>	<hr/>
Operating profit		2,161	1,994
Interest receivable and similar income	6	92	67
Interest payable and similar charges	7	-	(28)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2-8	2,253	2,033
Tax on profit on ordinary activities	7	(719)	(641)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		1,534	1,392
Dividend proposed		(1,400)	(1,200)
		<hr/>	<hr/>
Retained profit for the financial year		134	192
Retained profit brought forward		192	-
		<hr/>	<hr/>
Retained profit carried forward		326	192
		<hr/>	<hr/>

The profit for the year is derived from continuing activities.

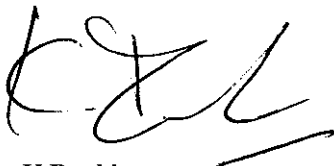
The company has no recognised gains or losses other than the profit for the year.

A reconciliation of movement in shareholders' funds is set out in note 15.

Balance Sheet
at 31 December 2002

	<i>Note</i>	2002		2001
		£000	£000	£000
Fixed assets				
Tangible assets	9		1,091	1,386
Current assets				
Stocks	10	1,573		1,256
Debtors	11	4,632		4,215
Cash at bank and in hand		2,535		2,807
		<hr/>		<hr/>
		8,740		8,278
Creditors: amounts falling due within one year	12	5,755		5,722
		<hr/>		<hr/>
Net current assets			2,985	2,556
			<hr/>	<hr/>
Total assets less current liabilities			4,076	3,942
Provisions for liabilities and charges	13		(150)	(150)
			<hr/>	<hr/>
Net assets			3,926	3,792
			<hr/>	<hr/>
Capital and reserves				
Called up share capital	14		3,600	3,600
Profit and loss account			326	192
			<hr/>	<hr/>
	15		3,926	3,792
			<hr/>	<hr/>

These financial statements were approved by the board of directors on 24 April 2003 and were signed on its behalf by:



K 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 financial statements incorporate the requirements of Financial Reporting Standard No. 18 – Accounting Policies

Under Financial Reporting Standard No. 1 (revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Danfoss A/S, the company has taken advantage of the exemption contained in Financial Reporting Standard No. 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Danfoss A/S, within which this company is included, can be obtained from the address given in note 18.

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 denominated in foreign currencies are translated using the contracted rate or 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.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes (continued)

1 Accounting policies (continued)

Pension costs

The company has participated in a group pension scheme providing benefits based on final pensionable pay. The assets are held separately from those of the group. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the group. Further details are shown in note 16 of these financial statements.

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.

Research and development

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Taxation

The charge for taxation is based on the profit for the year. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard No. 19.

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

	2002 £000	2001 £000
<i>By geographical market</i>		
UK	19,787	18,631
Other	3,057	2,951
	<hr/> 22,844 <hr/>	<hr/> 21,582 <hr/>

Notes (continued)

3 Profit on ordinary activities before taxation

	2002 £000	2001 £000
<i>This is stated after charging/(crediting)</i>		
Auditors' remuneration:		
Audit	23	23
Other	5	5
Depreciation	391	399
Profit on disposal of fixed assets	(20)	(12)
Operating leases - rentals of motor vehicles	115	80
	<u>115</u>	<u>80</u>

4 Remuneration of directors

	2002 £000	2001 £000
Directors' emoluments:		
Remuneration as executive	135	135
Benefits in kind	15	15
Pension	32	30
	<u>182</u>	<u>180</u>

Retirement benefits are accruing to one director under the defined benefit scheme (2001: 1).

5 Staff numbers and costs

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

	2002 Number	2001 Number
Production	115	98
Administration	58	59
Sales and marketing	38	38
	<u>211</u>	<u>195</u>

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2002 £000	2001 £000
Wages and salaries	3,747	3,354
Social security costs	273	256
Other pension costs (see note 16)	560	466
	<u>4,580</u>	<u>4,076</u>

1 6 Interest receivable and similar income

	2002 £000	2001 £000
Bank interest	69	67
Foreign exchange gains	23	-
	<u>92</u>	<u>67</u>

2 7 Interest payable and similar charges

	2002 £000	2001 £000
Foreign exchange losses	-	28
	<u>-</u>	<u>28</u>

Notes (continued)

8 Taxation

	2002 £000	2001 £000
The taxation charge is made up as follows:		
United Kingdom corporation tax 30% (2001: 30%)	719	633
Prior year adjustments	-	8
	<u>719</u>	<u>641</u>

The current tax charge for the period is higher (2001: *higher*) than the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are explained below.

Profit for the year on ordinary activities before tax	2,253	2,033
	<u>676</u>	<u>610</u>
Taxation at standard rate on profit		
Before tax 30% (2001: 30%)		
Expenses disallowed for tax purposes	12	13
Depreciation in excess of capital allowances	31	10
	<u>719</u>	<u>633</u>
Current tax charge		

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 1 January 2002	1,479	1,548	35	347	24	121	3,554
Additions	-	24	18	58	-	-	100
Disposals	-	-	-	(4)	-	(92)	(96)
At 31 Dec 2002	1,479	1,572	53	401	24	29	3,558
Depreciation							
At 1 January 2002	710	1,059	26	235	22	116	2,168
Disposals	-	-	-	-	-	(92)	(92)
Charge for the year	68	208	11	97	2	5	391
At 31 December 2002	778	1,267	37	332	24	29	2,467
Net book value							
At 31 December 2002	701	305	16	69	-	-	1,091
At 31 December 2001	769	489	9	112	2	5	1,386

Freehold land and buildings at 31 December 2002 includes land at a cost of £500,000 (2001: £500,000) which is not depreciated.

3 10 Stocks

	2002 £000	2001 £000
Raw materials and consumables	527	614
Work in progress	8	16
Finished goods and goods for resale	1,038	626
	<u>1,573</u>	<u>1,256</u>

Notes (continued)

11 Debtors

	2002 £000	2001 £000
Trade debtors	4,215	3,923
Amounts owed by group undertakings	306	269
Prepayments and accrued income	111	23
	<u>4,632</u>	<u>4,215</u>

12 Creditors: amounts falling due within one year

	2002 £000	2001 £000
Trade creditors	988	1,008
Amounts owed to group undertakings	2,047	1,921
Corporation tax	880	705
Other taxes and social security	774	803
Accruals and deferred income	1,066	1,285
	<u>5,755</u>	<u>5,722</u>

13 Provisions for liabilities and charges

	Warranty provision £000
At 1 January 2002	150
Utilised during the year	(72)
Charged for the year	72
	<u>150</u>
At 31 December 2002	150

Deferred taxation, which has not been provided for in view of uncertainty over its recoverability, is set out as follows:

	2002 £000	2001 £000
Difference between accumulated depreciation and capital allowances	<u>91</u>	<u>45</u>

Notes (continued)

4 14 Called up share capital

	2002 £000	2001 £000
<i>Authorised, allotted, called up and fully paid</i>		
3,600,000 ordinary shares of £1 each	3,600	3,600

5 15 Reconciliation of movements in shareholders' funds

	£000
Opening shareholders' funds	3,792
Profit for the financial year	134
Closing shareholders' funds	3,926

6 16 Pension scheme

The company participates in the Danfoss Holdings (UK) Pension Scheme (the Scheme) which provides benefits based upon final pensionable pay and pensionable service completed with the company. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as required by Financial Reporting Standard No. 17, Retirement Benefits, the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme.

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 £560,000 (2001: £466,000), at a rate of 18.1% of pensionable salaries, increasing to 21.1% from 1 October 2002. The trustees have agreed that this rate will continue, subject to the outcome of the next full actuarial valuation of the scheme due as at 31 March 2003.

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

The most significant assumptions were:-

- rate of interest 7% pa (pre-retirement), 6.5% pa (post retirement)
- rate of increase in salaries 5% pa
- rate of pension increases 3% pa
- assumed net dividend yield 2.5% 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.

Notes (continued)

17 Commitments

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

	Motor vehicles 2002 £000	Motor vehicles 2001 £000
Operating leases which expire:		
Within one year	106	51
In the second to fifth years inclusive	107	35
	<hr/>	<hr/>
	213	86
	<hr/>	<hr/>

18 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
 Capswood
 Oxford Road
 Denham
 Bucks.
 UB9 4LH

Danfoss A/S
 6430 Nordborg
 Denmark