



**Danfoss Randall Limited**

**Directors' report and financial  
statements**

**Registered number 2579403**

**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 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 £1,300,000 dividend for the year ended 31 December 2000 (1999: £1,900,000).

### Directors and directors' interests

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

Mogens Terp Poulson	
Kevin Durkin	
Olle Steen Andersen	(resigned 31 March 2000)
Peter Simson	(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 or charitable contributions during the year (1999: £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

6th April 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 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. 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

30 April 2001

## Profit and loss account

*for the year ended 31 December 2000*

	<i>Note</i>	<b>2000</b> <b>£000</b>	1999 £000
<b>Turnover</b>	<b>2</b>	<b>20,530</b>	20,176
Cost of sales		<b>(13,912)</b>	(13,641)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>6,618</b>	6,535
Distribution costs		<b>(2,061)</b>	(1,988)
Administrative expenses		<b>(2,707)</b>	(2,630)
		<hr/>	<hr/>
<b>Trading profit</b>		<b>1,850</b>	1,917
Interest receivable and similar income	<b>6</b>	<b>79</b>	56
Interest payable and similar charges	<b>7</b>	<b>(79)</b>	(11)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	<b>3</b>	<b>1,850</b>	1,962
Tax on profit on ordinary activities	<b>8</b>	<b>(609)</b>	(652)
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>		<b>1,241</b>	1,310
Dividend proposed/paid		<b>(1,300)</b>	(1,900)
		<hr/>	<hr/>
<b>Retained loss for the year</b>		<b>(59)</b>	(590)
Retained profit brought forward		<b>59</b>	649
		<hr/>	<hr/>
<b>Retained profit carried forward</b>		<b>-</b>	59
		<hr/> <hr/>	<hr/> <hr/>

The loss for the year is derived from continuing activities.

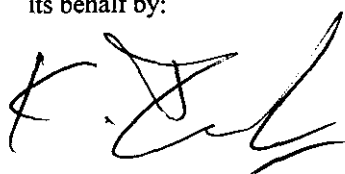
The company has no recognised gains or losses other than the loss for the year.

## Balance sheet

at 31 December 2000

	Note	2000 £000	1999 £000
<b>Fixed assets</b>			
Tangible assets	9	1,679	1,538
<b>Current assets</b>			
Stocks	10	2,003	1,991
Debtors	11	4,870	4,868
Cash at bank and in hand		664	1,841
		<u>7,537</u>	<u>8,700</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(5,466)</u>	<u>(6,459)</u>
<b>Net current assets</b>		<u>2,071</u>	<u>2,241</u>
<b>Total assets less current liabilities</b>		<u>3,750</u>	<u>3,779</u>
<b>Provisions for liabilities and charges</b>	13	<u>(150)</u>	<u>(120)</u>
<b>Net assets</b>		<u>3,600</u>	<u>3,659</u>
<b>Capital and reserves</b>			
Called up share capital	14	3,600	3,600
Profit and loss account		-	59
		<u>3,600</u>	<u>3,659</u>

These financial statements were approved by the board of directors on 6th April 2001 and were signed on its behalf by:



**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

	2000 £000	1999 £000
<i>By geographical market</i>		
UK	17,597	17,563
Other	2,933	2,613
	<hr/> 20,530 <hr/>	<hr/> 20,176 <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**

	2000 £000	1999 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration:		
Audit	23	20
Other	5	8
Depreciation	444	487
Profit on disposal of fixed assets	(11)	(34)
	<u>          </u>	<u>          </u>

**4 Remuneration of directors**

	2000 £000	1999 £000
Directors' emoluments:		
Remuneration as executive	136	116
Benefits in kind	13	7
Pension	26	24
	<u>          </u>	<u>          </u>
	175	147
	<u>          </u>	<u>          </u>

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

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

## Notes (continued)

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was 192 (1999: 195) analysed as follows:

	2000 Number	1999 Number
Production	98	89
Administration	94	106
	<hr/> 192	<hr/> 195
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these persons were as follows:

	2000 £000	1999 £000
Wages and salaries	3,200	3,015
Social security costs	240	230
Other pension costs (see note 16)	578	439
	<hr/> 4,018	<hr/> 3,684
	<hr/> <hr/>	<hr/> <hr/>

### 6 Interest receivable and similar income

	2000 £000	1999 £000
Bank interest	79	47
Foreign exchange gains	-	9
	<hr/> 79	<hr/> 56
	<hr/> <hr/>	<hr/> <hr/>

### 7 Interest payable and similar charges

	2000 £000	1999 £000
On bank loans, overdrafts and other loans wholly repayable within five years	-	1
Foreign exchange losses	79	10
	<hr/> 79	<hr/> 11
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 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% (1999: 30.25%)	555	594
Permanent differences	9	10
Unprovided deferred tax (see note 13)	22	48
Prior year adjustment	23	-
	<u>609</u>	<u>652</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
<b>Cost</b>							
At beginning of year	1,479	1,125	21	174	24	261	3,084
Additions	-	460	14	115	-	-	589
Disposals/write offs	-	(22)	-	-	-	(67)	(89)
At end of year	<u>1,479</u>	<u>1,563</u>	<u>35</u>	<u>289</u>	<u>24</u>	<u>194</u>	<u>3,584</u>
<b>Depreciation</b>							
At beginning of year	573	665	13	123	7	165	1,546
Disposals/write offs	-	(22)	-	-	-	(63)	(85)
Charge for the year	69	229	7	66	8	65	444
At end of year	<u>642</u>	<u>872</u>	<u>20</u>	<u>189</u>	<u>15</u>	<u>167</u>	<u>1,905</u>
<b>Net book value</b>							
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>
At 31 December 1999	<u>906</u>	<u>460</u>	<u>8</u>	<u>51</u>	<u>17</u>	<u>96</u>	<u>1,538</u>

Of the £837,000 (1999: £906,000) net book value relating to freehold land and buildings, £500,000 (1999: £500,000) relates to freehold land.

## Notes (continued)

### 10 Stocks

	2000 £000	1999 £000
Raw materials and consumables	756	628
Work in progress	58	296
Finished goods and goods for resale	1,189	1,067
	<hr/> 2,003 <hr/>	<hr/> 1,991 <hr/>

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

### 11 Debtors

	2000 £000	1999 £000
Trade debtors	4,419	4,482
Amounts owed by group undertakings	398	337
Prepayments and accrued income	53	49
	<hr/> 4,870 <hr/>	<hr/> 4,868 <hr/>

**Notes (continued)**

**12 Creditors: amounts falling due within one year**

	2000		1999
	£000	£000	£000
Trade creditors		770	845
Amounts owed to group undertakings		2,257	3,048
Other creditors including taxation and social security:			
Corporation tax	866		698
Other taxes and social security	616		698
	<hr/>		<hr/>
		1,482	1,396
Accruals and deferred income		957	1,170
		<hr/>	<hr/>
		5,466	6,459
		<hr/> <hr/>	<hr/> <hr/>

**13 Provisions for liabilities and charges**

	Warranty provision £000
At beginning of year	120
Provision created	30
	<hr/>
At end of year	150
	<hr/> <hr/>

During the year the provision was increased by £30,000 to cover additional future warranty costs.

No provision for deferred tax has been made. The company has an unprovided potential deferred tax asset of £35,000 (1999: £13,000) in respect of depreciation charged in advance of capital allowances being claimed.

## Notes (continued)

### 14 Called up share capital

	2000 £000	1999 £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 2000 (1999: £nil).

### 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 £578,000 (1999: £440,000).

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

The actuarial value of the company's share of the Holdings Scheme's assets, as at 31 March 2000, represented 98% of the actuarial value of accrued benefits. Additional contributions are being paid over a period of 7 years to meet this shortfall. The market value of the Holdings Scheme's assets as at 31 March 2000 was £34.3 million.

**Notes (continued)**

**17 Reconciliation of movements in shareholders' funds**

	£000
Opening shareholders' funds	3,659
Profit for the financial year	1,241
Dividend	(1,300)
	<hr/>
Closing shareholders' funds	3,600
	<hr/>

**18 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.

**19 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.

**20 Post balance sheet events**

There are no significant post balance sheet events.