

**Danfoss Randall Limited**

**Directors' report and financial  
statements**

**Registered number 2579403**

**31 December 2003**



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

### 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 £2,300,000 (2002: £1,400,000).

### 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, including Danfoss A/S.

### 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

4th August 2004

## 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 company's state of affairs as at 31 December 2003 and of its loss 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

*23 August 2004*

**Profit and loss account**  
*for the year ended 31 December 2003*

	<i>Note</i>	<b>2003</b> <b>£000</b>	2002 £000
<b>Turnover</b>	2	<b>25,822</b>	22,844
Cost of sales		<b>(17,210)</b>	(15,428)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>8,612</b>	7,416
Distribution costs		<b>(2,413)</b>	(2,043)
Administrative expenses		<b>(3,366)</b>	(3,212)
		<hr/>	<hr/>
<b>Operating profit</b>		<b>2,833</b>	2,161
Interest receivable and similar income	6	<b>105</b>	92
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	2-6	<b>2,938</b>	2,253
Tax on profit on ordinary activities	7	<b>(662)</b>	(719)
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>		<b>2,276</b>	1,534
Dividend proposed		<b>(2,300)</b>	(1,400)
		<hr/>	<hr/>
<b>Retained (loss)/profit for the financial year</b>		<b>(24)</b>	134
Retained profit brought forward		<b>326</b>	192
		<hr/>	<hr/>
<b>Retained profit carried forward</b>		<b>302</b>	326
		<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 14.

**Balance Sheet**  
*at 31 December 2003*

	Note	2003 £000	2002 £000
<b>Fixed assets</b>			
Tangible assets	8	1,048	1,091
<b>Current assets</b>			
Stocks	9	1,482	1,573
Debtors	10	7,955	4,632
Cash at bank and in hand		488	2,535
		<u>9,925</u>	<u>8,740</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(6,921)</u>	<u>(5,755)</u>
<b>Net current assets</b>		<u>3,004</u>	<u>2,985</u>
<b>Total assets less current liabilities</b>		<u>4,052</u>	<u>4,076</u>
<b>Provisions for liabilities and charges</b>	12	<u>(150)</u>	<u>(150)</u>
<b>Net assets</b>		<u>3,902</u>	<u>3,926</u>
<b>Capital and reserves</b>			
Called up share capital	13	3,600	3,600
Profit and loss account		302	326
	14	<u>3,902</u>	<u>3,926</u>

These financial statements were approved by the board of directors on 4 August 2004 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.

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 17.

#### ***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 participates 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 15 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

	2003 £000	2002 £000
<i>By geographical market</i>		
UK	22,564	19,787
Other	3,258	3,057
	<hr/>	<hr/>
	25,822	22,844
	<hr/>	<hr/>

## Notes (continued)

### 3 Profit on ordinary activities before taxation

	2003 £000	2002 £000
<i>This is stated after charging/(crediting)</i>		
Auditors' remuneration:		
Audit	24	23
Other	7	5
Depreciation	341	391
Profit on disposal of fixed assets	-	(20)
Operating leases - rentals of motor vehicles	111	115
	<u>111</u>	<u>115</u>

### 4 Remuneration of directors

	2003 £000	2002 £000
Directors' emoluments:		
Remuneration as executive	145	135
Benefits in kind	17	15
Pension	37	32
	<u>199</u>	<u>182</u>

Retirement benefits are accruing to one director under the defined benefit scheme (2002: 1).

### 5 Staff numbers and costs

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

	2003 Number	2002 Number
Production	119	115
Administration	54	58
Sales and marketing	36	38
	<u>209</u>	<u>211</u>

## Notes (continued)

### 5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2003 £000	2002 £000
Wages and salaries	4,070	3,747
Social security costs	312	273
Other pension costs (see note 15)	646	560
	<hr/> 5,028 <hr/>	<hr/> 4,580 <hr/>

### 6 Interest receivable and similar income

	2003 £000	2002 £000
Bank interest	58	69
Foreign exchange gains	47	23
	<hr/> 105 <hr/>	<hr/> 92 <hr/>

## Notes (continued)

### 7 Taxation

	2003 £000	2002 £000
The taxation charge is made up as follows:		
United Kingdom corporation tax 30% (2002 : 30%)	820	719
Prior years adjustments	(158)	-
	<u>662</u>	<u>719</u>

The current tax charge for the period is higher (2001: higher) than the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are explained below.

Profit for the year on ordinary activities before tax	2,938	2,253
	<u>          </u>	<u>          </u>
Taxation at standard rate on profit	881	676
Before tax 30% (2002: 30%)		
Expenses disallowed for tax purposes	61	12
Depreciation in excess of capital allowances	-	31
	<u>          </u>	<u>          </u>
Current tax charge	<u>820</u>	<u>719</u>

There is a deferred tax asset, which has not been provided for in view of uncertainty over its recoverability; this is set out as follows:

	2003 £000	2002 £000
Difference between accumulated depreciation and capital allowances	166	91
	<u>          </u>	<u>          </u>

## Notes (continued)

### 8 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 1 January 2003	1,479	1,572	53	401	24	29	3,558
Additions	-	173	84	41	-	-	298
Disposals	-	-	-	-	-	(14)	(14)
At 31 Dec 2003	1,479	1,745	137	442	24	15	3,842
<b>Depreciation</b>							
At 1 January 2003	778	1,267	37	332	24	29	2,467
Disposals	-	-	-	-	-	(14)	(14)
Charge for the year	69	191	18	63	-	-	341
At 31 December 2003	847	1,458	55	395	24	15	2,794
<b>Net book value</b>							
At 31 December 2003	632	287	82	47	-	-	1,048
At 31 December 2002	701	305	16	69	-	-	1,091

Freehold land and buildings at 31 December 2003 includes land at a cost of £500,000 (2002: £500,000) which is not depreciated.

### 9 Stocks

	2003 £000	2002 £000
Raw materials and consumables	649	527
Work in progress	14	8
Finished goods and goods for resale	819	1,038
	1,482	1,573

## Notes (continued)

### 10 Debtors

	2003 £000	2002 £000
Trade debtors	4,880	4,215
Amounts owed by group undertakings	2,886	306
Prepayments and accrued income	189	111
	<u>7,955</u>	<u>4,632</u>

### 11 Creditors: amounts falling due within one year

	2003 £000	2002 £000
Trade creditors	946	988
Amounts owed to group undertakings	3,384	2,047
Corporation tax	472	880
Other taxes and social security	982	774
Accruals and deferred income	1,137	1,066
	<u>6,921</u>	<u>5,755</u>

### 12 Provisions for liabilities and charges

	Warranty provision £000	Warranty provision £000
At 1 January 2003	150	150
Utilised during the year	(89)	(72)
Charged for the year	89	72
	<u>150</u>	<u>150</u>
At 31 December 2003	<u>150</u>	<u>150</u>

## Notes (continued)

### 13 Called up share capital

	2003 £000	2002 £000
<i>Authorised, allotted, called up and fully paid</i>		
3,600,000 ordinary shares of £1 each	3,600	3,600
	<hr/>	<hr/>

### 14 Reconciliation of movements in shareholders' funds

	£000	£000
Opening shareholders' funds	3,926	3,792
(Loss)/Profit for the financial year	(24)	134
	<hr/>	<hr/>
Closing shareholders' funds	3,902	3,926
	<hr/>	<hr/>

### 15 Pension scheme

The company, along with Danfoss Limited and Dean & Wood Limited, 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. The assets of the Scheme are held separately from those of the companies. Each company is unable to identify its share of the scheme assets and liabilities as it is exposed to actuarial risks associated with current and former employees of other companies participating in the Scheme.

The company pays contributions determined on the advice of the Scheme's actuary using the projected unit method of valuation. An actuarial valuation was carried out as at 31 March 2003 and the most significant assumptions were:

- rate of interest 7.5% pa (pre-retirement), 6% pa (post retirement)
- rate of increase in salaries 4% pa
- rate of pension increases 2.5% pa

As at 31<sup>st</sup> March 2003, the market value of the Scheme's assets amounted to £22.9m. Based on these assumptions, there was a shortfall of £7.7m compared to the amount required to cover the benefits that had accrued to members after allowing for expected future increases in salaries.

The pension cost for the company during the period is equal to the contributions paid of £657,000 (2002 - £560,000). During the period, the company contributed at a rate of 21.1% of Pensionable Salaries, increasing to 21.8% from 1<sup>st</sup> January 2004. A further 4% of Pensionable Salaries is paid in respect of members joining on or after 1<sup>st</sup> January 2003.

For pension schemes such as the Danfoss Holdings (UK) Pension Scheme, Financial Reporting Standard No. 17, Retirement Benefits, requires the company to account for pension costs in these financial statements as if the scheme were a defined contribution scheme.

## Notes (continued)

### 16 Commitments

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

	Motor vehicles 2003 £000	Motor vehicles 2002 £000
Operating leases which expire:		
Within one year	97	106
In the second to fifth years inclusive	40	107
	<hr/>	<hr/>
	137	213
	<hr/>	<hr/>

### 17 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